

# THE FINANCIAL CONDITION OF THE POSTAL SERVICE

---

## HEARING BEFORE THE COMMITTEE ON OVERSIGHT AND REFORM HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTEENTH CONGRESS FIRST SESSION

APRIL 30, 2019

**Serial No. 116–16**

Printed for the use of the Committee on Oversight and Reform



Available on: <http://www.govinfo.gov>  
<http://www.oversight.house.gov>  
<http://www.docs.house.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

36–638 PDF

WASHINGTON : 2019

COMMITTEE ON OVERSIGHT AND REFORM

ELIJAH E. CUMMINGS, Maryland, *Chairman*

CAROLYN B. MALONEY, New York	JIM JORDAN, Ohio, <i>Ranking Minority Member</i>
ELEANOR HOLMES NORTON, District of Columbia	JUSTIN AMASH, Michigan
WM. LACY CLAY, Missouri	PAUL A. GOSAR, Arizona
STEPHEN F. LYNCH, Massachusetts	VIRGINIA FOXX, North Carolina
JIM COOPER, Tennessee	THOMAS MASSIE, Kentucky
GERALD E. CONNOLLY, Virginia	MARK MEADOWS, North Carolina
RAJA KRISHNAMOORTHY, Illinois	JODY B. HICE, Georgia
JAMIE RASKIN, Maryland	GLENN GROTHMAN, Wisconsin
HARLEY ROUDA, California	JAMES COMER, Kentucky
KATIE HILL, California	MICHAEL CLOUD, Texas
DEBBIE WASSERMAN SCHULTZ, Florida	BOB GIBBS, Ohio
JOHN P. SARBANES, Maryland	RALPH NORMAN, South Carolina
PETER WELCH, Vermont	CLAY HIGGINS, Louisiana
JACKIE SPEIER, California	CHIP ROY, Texas
ROBIN L. KELLY, Illinois	CAROL D. MILLER, West Virginia
MARK DESAULNIER, California	MARK E. GREEN, Tennessee
BRENDA L. LAWRENCE, Michigan	KELLY ARMSTRONG, North Dakota
STACEY E. PLASKETT, Virgin Islands	W. GREGORY STEUBE, Florida
RO KHANNA, California	
JIMMY GOMEZ, California	
ALEXANDRIA OCASIO-CORTEZ, New York	
AYANNA PRESSLEY, Massachusetts	
RASHIDA TLAIB, Michigan	

DAVID RAPALLO, *Staff Director*

LUCINDA LESSLEY, *Policy Director and Senior Investigator*

MARK STEPHENSON, *Director of Legislation*

LAURA RUSH, *Deputy Chief Clerk*

CHRISTOPHER HIXON, *Minority Staff Director*

CONTACT NUMBER: 202-225-5051

## C O N T E N T S

Hearing held on April 30, 2019 .....	Page 1
WITNESSES	
The Honorable Megan J. Brennan, Postmaster General, United States Postal Service	
Oral Statement .....	4
Ms. Margaret M. Cigno, Director, Office of Accountability and Compliance, Postal Regulatory Commission	
Oral Statement .....	6
Mr. Joel Quadracci, Chairman, President, and CEO, Quad/Graphics	
Oral Statement .....	7
Mr. Fredric V. Rolando, President, National Association of Letter Carriers	
Oral Statement .....	9
Mr. Chris Edwards, Director of Tax Policy Studies, Cato Institute	
Oral Statement .....	11
* Opening statements, and the prepared statements for the above witnesses are available at the U.S. House of Representatives Repository: <a href="https://docs.house.gov">https://docs.house.gov</a> .	

## INDEX OF DOCUMENTS

*The documents entered into the record during this hearing are listed below, and available at: <https://docs.house.gov>.*

- \* Prepared statement of the Greeting Card Association; submitted by Rep. Connolly.
- \* Questions for the Record, from Rep. Wasserman Schultz, addressed to Postmaster General Brennan.
- \* The American Catalog Mailers Association, written testimony; submitted by Chairman Cummings.
- \* National Active and Retired Federal Employees Association letter; submitted by Chairman Cummings.
- \* Public Citizen, written testimony by Bartlett Collins Naylor, Financial Policy Advocate; submitted by Chairman Cummings.
- \* Package Coalition, written testimony; submitted by Chairman Cummings.
- \* Statement from the American Postal Workers Union; submitted by Chairman Cummings.
- \* Statement by Rep. Gerry E. Connolly



## THE FINANCIAL CONDITION OF THE POSTAL SERVICE

---

Tuesday, April 30, 2019

HOUSE OF REPRESENTATIVES  
COMMITTEE ON OVERSIGHT AND REFORM  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Elijah Cummings (chairman of the committee) presiding.

Present: Representatives Cummings, Norton, Clay, Lynch, Connolly, Krishnamoorthi, Rouda, Hill, Wasserman Schultz, Sarbanes, Welch, Kelly, DeSaulnier, Lawrence, Plaskett, Gomez, Ocasio-Cortez, Pressley, Tlaib, Jordan, Amash, Foxx, Massie, Meadows, Hice, Grothman, Comer, Cloud, Gibbs, Roy, Miller, Green, and Steube.

Chairman CUMMINGS. Good morning, everyone. Today, we are holding a very important hearing on the future of the United States Postal Service.

The Postal Service is one of our most essential and recognizable institutions. It provides universal service to every single address in the United States. It delivers mail and packages to nearly 159 million locations, no matter how remote.

I have often said that we take our postal system for granted, because it is so dependable, and it binds together every corner of our Nation. Unfortunately, the Postal Service's financial condition has been deteriorating over the past decade.

The three primary reasons for this: First, there has been a decline in first-class mail, which has been the Postal Service's most profitable product. Second, the Postal Service's expenses have been increasing more quickly than its revenues. And third, Congress put in place requirements in 2006 for the Postal Service to make billions of dollars of payments each year to pre-fund retiree health benefits.

This is a requirement that no other Federal agency or private-sector company faces. The Postal Service has made several changes to meet these challenges. It has reduced its work force by hundreds of thousands of people. It has hired more part-time employees than ever.

Let me go back for a moment to all the employees who have been—that they're no longer there. They gave their blood, their sweat, and their tears so many years, and I want to compliment the unions, because every time I—every time we try to work with the Post Office to make sure that we—did whatever was necessary to make sure they stayed afloat, the unions have been extremely

cooperative and worked with us very closely, and to make reasonable changes. And from the depth of my heart I truly appreciate that.

And then it has consolidated facilities and delivery routes. So, at the same time the Postal Service has an obligation to provide universal service. So, it has continued expanding its network to deliver mail to approximately 1 million new addresses a year. I mean think about that. And it's one million new addresses per year.

As a result, even with deep cuts to its work force, the Postal Service has been forced to begin defaulting on its re-funding payments for retiree health benefits. It now owes more than \$42 billion for retiree health benefits.

The Postal Service has also been forced to start defaulting on pension benefit payments as well. Today, one of the most pressing concerns for the Postal Service is dwindling liquidity. As its expenses continue to grow more quickly than its revenues, the Postal Service faces challenges with having enough cash to conduct its operations.

For example, in Fiscal Year 2018, the Postal Service had less than two months' worth of cash on hand on an average day. That's not good. If major changes are not made soon, there will come a time when the Postal Service will run out of cash, and its ability to provide the services Americans rely on will be in jeopardy.

Congress, ladies and gentlemen, has a responsibility to ensure that that day never comes. Never. For several years now I've worked closely with my colleagues on this committee to develop bipartisan legislation to reform the Postal Service and place it on a more sustainable path.

I worked with Representatives Connolly, and Lynch, and Lawrence, and I work closely with Representative Meadows, all of whom have spent a phenomenal amount of time on this issue, as well as former Chairman Chaffetz and former Chairman Gowdy. And I hope to work productively with Ranking Member Jordan as well.

Last Congress, this committee passed bipartisan reform legislation. We've all had to give a little during those negotiations. Was that legislation perfect? No. Were there some people that were unhappy with parts of it? Yes. But, again, not only did the unions come together, but our stakeholders came together. I mean that's unusual to have everybody joining hands and saying, "Yes. Well, we may not like everything in this, but we're going to make this work, because this is for the American people."

But that bill would have saved nearly \$6 billion over 10 years, according to the Congressional Budget Office. That was a significant accomplishment. Unfortunately, the bill was never brought to the House floor.

So, today it is our responsibility to move further than we did in the past. We now have a whole new Congress. We now have members that are new to this committee and new to this issue. I hope today's hearing will be an opportunity for all of our members, new and old, to get an overview of the challenges faced by our Postal Service, and to get an update on its current financial condition, and to hear about the many different proposals that have been made for reform.

The Administration has also proposed some ideas through its taskforce. One is to allow the Postal Service to explore new business opportunities to leverage its current assets and business liens. Of course, this was an initiative that we included in our legislation last Congress, and one that I strongly supported.

Finally, I want to highlight one principle that I hope will guide us through our efforts. We must not place the burden of reforming the Postal Service on the backs of the Postal workers. Their wages and benefits are modest. Our nation can and must honor the commitments we have made to the men and women who dedicate their lives to delivering our mail day in and day out in every conceivable condition.

So, I want to thank our witnesses for being here today, and I look forward to our discussion. And I now yield to the gentleman, ranking member, Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman, and thank you for this hearing.

This morning this committee has jurisdiction with the Postal Service, and it is our responsibility, our responsibility to make the necessary legislative reforms and protect the interests of the American taxpayer.

It saddens me to report that due to years of Congress kicking the can down the road the U.S. Postal Service remains in dire financial straits. The United Postal Service has been on the GAO high risk list for over a decade. For the past 11 years it has been losing money at a rapid clip. The losses now total \$69 billion.

What's worse is that the United States Postal Service's unfunded liabilities equate to 139 billion, almost double its annual revenue. This is a slow-motion train wreck that keeps getting worse while Congress looks on. The situation is untenable under current law, and congressional action is required to stop the bleeding, and prevent a catastrophic financial reckoning that would actually soak taxpayers.

We need real institutional reform. Can't afford to keep moving money from one financially failing program into another. Some reforms are quite obvious. They must require the Postal Board of Governors to have fiduciary duties to a newly defined stakeholder, the American taxpayer.

This is not already the mandate of a government-run service. It's just flat-out wrong. If we fail to act, we risk a taxpayer bailout of the U.S. Postal Service, something that I could not support. The reforms have been right in front of us for over a decade, but we've lacked the courage to act. This situation is especially sad because we are lagging behind the rest of the world in reforming our postal system.

For instance, Sweden has repealed its postal monopoly in 1993. Sweden Post has reorganized into a corporate structure. Germany's Deutsche Post was largely commercialized in a stock offering in 2000, and Germany opened its postal markets to competition in 2008.

Britain opened its postal market to competition in 2006, and after 500 years of government ownership, commercialized the Royal Mail and share offerings in 2013 and 2015.

In New Zealand, the government forced the postal service to cut costs, and put it into a corporate form. The country appealed its monopoly in the 1990's.

The Trump Administration is doing its part. In 2018, the President organized a taskforce to evaluate postal operations. In December, the taskforce proposed 26 recommendations, including that the United States Postal Service must reduce labor costs and restructure health and retirement benefits. I hope we can discuss the taskforce proposals today. We must now endeavor to make the tough choices, tough decisions, those before us have failed to make. I hope today can be the beginning of living up to the expectations of those who sent us to Washington to deal with the tough problems.

And with that, Mr. Chairman, I would yield back.

Chairman CUMMINGS. Thank you very much. Without objection, the chair is authorized to declare a recess of the committee at any time.

The full committee hearing is convenient to review the current financial condition of the Postal Service as well as the urgent need for reform legislation.

Now I want to welcome our witnesses. We are very pleased to be joined by the Postmaster General of the United States Postal Service, Ms. Megan J. Brennan; Margaret Cigno, the Director of the Office of Accountability and Compliance for the Postal Service Regulatory Commission; Joel Quadracci, Chairman, President, and CEO of Quad Graphics; Fredric Rolando, President of the National Association of Letter Carriers; and Chris Edwards, the Director of Tax Policy Studies, at the Cato Institute.

If the witnesses would kindly rise and raise your hands, and I will swear you in.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God? You may affirm. Thank you very much.

Let the record show that the witnesses answered in the affirmative. I want to thank you. And I want to let you know that the microphones are very sensitive, so please speak directly into them.

Without objection, your written statement will be made part of the record.

With that, Postmaster Brennan, you are now recognized to give an oral presentation.

#### **STATEMENT OF MEGAN J. BRENNAN, POSTMASTER GENERAL, UNITED STATES POSTAL SERVICE**

Ms. BRENNAN. Thank you, Mr. Chairman. Good morning.

Chairman CUMMINGS. Good morning.

Ms. BRENNAN. Good morning, Ranking Member Jordan, and members of the committee.

Thank you, Chairman Cummings, for calling this hearing. I am proud to be here today on behalf of the 630,000 hardworking, dedicated men and women of the United States Postal Service.

The Postal Service is grateful for this committee's focus on the need for postal reform. We also appreciate the engagement of the Administration and that the President's taskforce recognized the



importance of the Postal Service to the U.S. economy as both a service provider and an employer.

Today, the Postal Service will deliver more than 450 million pieces of mail and 20 million packages to 159 million addresses. We serve every American home and business, and play a vital role in every American community. We are an indispensable part of America's economic infrastructure.

Two years ago, I testified before this committee to advocate for Postal reform. Given our deteriorating financial condition, the need for legislative reform is even more urgent today. The President's taskforce agrees that our business model, with its rigid price cap, is unsustainable.

Since 2007, total mail volume has declined by 31 percent, and first-class mail, our most profitable product, has declined by 41 percent. In response we have streamlined our operations, restructured our network, reduced the size of our work force, and improved productivity. From these efforts we reduced our annual cost base by approximately \$13 billion. In just the past five years we have grown our package revenue by \$9 billion, and we continue to strengthen the value of mail.

Nevertheless, given the constraints imposed by law, no set of management actions is sufficient to offset the continuing decline in the use of mail. The Postal Service is required to maintain an extensive network necessary to fulfill our universal service obligation to deliver the mail six days a week regardless of volume.

As our country grows by more than 1 million new delivery points each year, the cost of our network continues to increase. We are delivering less mail to more addresses, which means there is less revenue to pay for mandated costs. And although we have grown our package business, the rate of growth has slowed, due to increased competition.

Since 2012, the Postal Service has been forced to default on \$48 billion in mandated payments for retirement-related benefits. Without these defaults, the deferral of critical capital investments, and aggressive management actions, we would not have been able to pay our employees and suppliers, or deliver the mail.

We cannot overcome systemic financial imbalances caused by business model constraints. Forcing the Postal Service to default on mandated payments and order to deliver the mail is an untenable public policy. Even if the Postal Service decides to continue with our current pattern of defaults, absent legislative and regulatory reforms, we are likely to run out of cash in 2024.

Mr. Chairman, the Postal Service, led by its board of Governors, is working through the details of a 10-year business plan to restore the organization to financial stability. And this plan will include recommended legislative reforms.

We believe it is important for the committee to continue to consider core legislative provisions that would need to be part of any long-term financial solution. These include requiring full Medicare integration for parts A, B, and D for postal retiree health plans, or exploring other Medicare integration scenarios, restoring half the exigent price increase for market-dominant products, and providing some additional product flexibility.

These provisions have already gained broad support among postal stakeholders.

Mr. Chairman, Ranking Member Jordan, the Postal Service matters to the American public and the American economy. I look forward to working with you in this committee, and our stakeholders to restore the financial health of the United States Postal Service.

This concludes my remarks. I welcome any questions that you and the committee may have. Thank you.

Chairman CUMMINGS. Ms. Cigno?

**STATEMENT OF MARGARET CIGNO, DIRECTOR, OFFICE OF ACCOUNTABILITY AND COMPLIANCE, POSTAL REGULATORY COMMISSION**

Ms. CIGNO. Chairman Cummings, Ranking Member Jordan, and members of the Committee of Oversight and Reform, good morning.

Chairman CUMMINGS. Good morning.

Ms. CIGNO. I am pleased to testify before you today.

The Commission is an independent Federal agency that provides transparency and accountability of the U.S. Postal Service's operations and finances. It is composed of five commissioners, each appointed by the President, and confirmed by the Senate.

The Commission determines the legality of the Postal Service's prices and products, adjudicates complaints, and fair competition issues, and oversees the Postal Service's delivery performance. The Commission carries out this work with a very small budget and staff. Its current year appropriation is \$15.2 million to regulate the much larger Postal Service.

Commission funding comes entirely from the off-budget permanently appropriated Postal Service fund, which is wholly comprised of rate payer, not taxpayer funds.

The U.S. Postal Service is a \$71 billion operation, with over 600,000 employees. The Postal Service receives no taxpayer monies. The sale of postage products and services funds its operation.

Starting in Fiscal Year 2014, the Commission developed a separate annual financial analysis to provide greater clarity, transparency, and accountability of the Postal Service's financial deed and trends. This financial analysis not only reviews the overall financial position of the Postal Service, but also analyzes volumes, revenues, and costs of both market dominant and competitive products.

The Fiscal Year 2018 report was issued on April 19, 2019. I would like to highlight some of the Commission's conclusions from this year's report.

In Fiscal Year 2018, the Postal Service recorded a net loss of \$3.9 billion. This was the 11th consecutive net loss posted since Fiscal Year 2007, and has increased the cumulative net deficit to \$62.6 billion.

As part of the detailed financial analysis of the Postal Service income statements, the Commission also analyzes the net loss from operations. Net loss from operations excludes from expenses the payments for unfunded retirement benefits, and the non-cash adjustments to the Workers' Compensation liability. In Fiscal Year 2018, the Postal Service recorded a net loss from operations of \$2.1 billion.

These continuing losses have created a substantial gap between the Postal Services assets and liabilities. Total assets and liabilities are comprised of current and non-current portions. In Fiscal Year 2018, the Postal Service had current assets of \$11.6 billion and current liabilities of \$69.5 billion.

If current assets are insufficient to meet its short-term liabilities, the Postal Service could have problems paying its creditors. The gap between current assets and current liabilities has increased substantially since Fiscal Year 2008.

Total mail volume in Fiscal Year 2018 continued to decline. Over the last 12 years market-dominant products volume has declined by approximately 70 billion pieces. And although volumes for competitive products continued to grow in Fiscal Year 2018, the rate of increase was lower than in recent years.

In addition, competitor products volume only makes up 3.9 percent of the total mail volume of the Postal Service. Nevertheless, competitive products account for 35.2 percent of total attributable costs and 28.5 percent of total contribution to institutional costs.

Every five years the commission is required to issue a report on how well the PAEA is operating, and to recommend legislation or other measures necessary to improve the effectiveness and efficiency of our Nation's postal laws. In its 2016 report, the Commission found that the most important legislative recommendations it could make related directly to improving the financial condition of the U.S. Postal Service.

In 2017, the Commission issued its findings related to the system for regulating raising classes established the PAEA. Of relevance to this testimony, with respect to finances, the Commission found that the system has not maintained the financial health of the Postal Service as intended by the PAEA.

As a result of this and other findings, the Commission concurrently issued a notice of proposed rulemaking to address the shortcomings identified by the Commission in its review. The Commission is currently considering rules to modify existing regulations, or adopt an alternative system that the Commission believes will achieve the objectives.

In summary, the Postal Service faces significant financial obstacles for the future. Continued losses, including two years of operating losses, have put the Postal Service in a perilous financial position. With the growing liability of retiree health benefits, the inability to sufficiently fund needed capital investments, and the continued loss of high-margin first-class revenues, the important task of improving the financial condition of the Postal Service is daunting. The Commission stands ready to assist in your search for answers on behalf of our Nation's postal system.

Thank you for the opportunity to testify today. And I am happy to answer any questions.

Chairman CUMMINGS. Thank you very much.

Mr. Quadracci?

**STATEMENT OF JOEL QUADRACCI, CHAIRMAN, PRESIDENT,  
AND CEO, QUAD/GRAPHICS**

Mr. QUADRACCI. Good morning, Mr. Chairman, Ranking Member Jordan, and members of the committee.

On behalf of our coalition and our company, I want to thank the members, and in particular, Chairman Cummings and Mr. Meadows, along with Mr. Connolly and Mr. Lynch for your continued leadership and bipartisan efforts on the urgent matter of restoring the Postal Service to financial stability.

It has become critical to enact the substance of the bipartisan bill from the 115th Congress with some modest updating. We respectfully urge the committee to move forward as swiftly as possible.

I am here today on behalf of the Coalition of the 21st Century Postal Service, or C21, which broadly represents an industry that employs over 7-and-a-half million people, and generates revenue of over \$1.4 trillion, and in one way, shape, or form, they rely on the Postal Service to be healthy.

As a marketing solution partner with the foundation and print, Quad is a member of C21. The partnership with our clients lets our customers thrive in a multi-channel marketing world. Quad's print foundation has allowed us to grow from 11 employees in Wisconsin to now providing 20,000 employees with family supporting wages, 55 plants in 26 states, serving 7,000 clients, and mailing 10 billion pieces of mail each year.

The Postal Service is vital to the urban core of our country, and is even more crucial to rural America, where access to broadband is hardly universal, and the USPS delivers critical supplies, mail packages, et cetera. Overall, in 2018, the Postal Service delivered more than 146 billion pieces of mail and packages, with 70 billion in revenue.

Let's put these numbers in perspective, however. While revenues have held up relatively steady by repeated CPI increases and one-time exigent surcharge, the volume number represents a decline of 31 percent since its peak in 2006. And while mail volume declines, the number of delivery points increases yearly by a million addresses. That combination has challenged the Postal Service as unsustainable.

Irrespective of these volume declines, operations have run generally near or close to black at times, but do have a fighting chance to get there. The elephant in the room has been the obligation to pre-fund retirement healthcare to an extent so devastating the USPS has defaulted on \$48 billion in payments.

Rarely have circumstances turned what was intended to buttress a public good into mortal threat to the organization overall. The digital world continues to disrupt our industries, forcing us to adapt our businesses to new realities. The Postal Service is no different.

Three months after PAEA was enacted at the end of 2006, the best year in USPS's history, Steve Jobs introduced the iPhone. There was a double-digit increase in postage rates, which was followed quickly by the Great Recession, and the route was on.

The advent of online business and e-mail social media, streaming, and other online channels shifted a great deal of advertising out of the postal system. After the recession ended, the mail volumes did not return, demonstrating that the shift to electronic alternatives was real and permanent.

While print has hit a significant reset in volume, it fits into a comprehensive advertising strategy through the power of print by

itself, and integrated into a comprehensive multichannel strategy. Print is not going away. Our own market surveys show that 71 percent of Millennials read direct mail, and in the last 30 days, one in three redeemed direct mail coupons.

Printed products have a clear place in this multichannel world, but only if they remain cost-effective, with a positive ROI.

Postage is now the single largest expense for mailers, ranging up to 60 percent of the cost of the printed piece. Prior to the recession postage was approximately 50 percent, and at one time was only a third. While print is less than 20 percent.

Above inflation, postage rates cannot be part of the solution. The CPI cap has worked as intended, providing mailers with price predictability and certainty. On the bright side, for the Postal Service is e-commerce explosion. Packages now generate more than 7 billion toward the USPS overhead.

USPS serves those who receive and ship packages, and even competitors, which depend on USPS to deliver to areas not economically efficient. Prices for competitive products must be based on market conditions, and not imposed as favor of costing methodologies that arbitrarily raise prices for consumers.

The prime need to stabilize USPS for the short run is address pre-funding. We urge you to draw upon private sector best practices to reduce pre-funding costs. In a rare moment of convergence, we join the postal unions on these common-sense recommendations. Set the pre-funding target at 60 percent of vested liability for retiree health benefits, fully integrate with Medicare. These changes should reduce the USPS liabilities by about \$85 billion.

Additions to legislation are crucial. Our service performance measurements worked out during the last Congress by Mr. Meadows with Senator Heitkamp, and directing the Commission to take into account in its 10-year rate setting review the financial impact of this legislation, including our commitment in the legislation to a one-time increase worth 8.5 billion.

The stakeholders also request the committee not include rescinding the authority of the PRC, to prescribe rules for distributing costs, clearing the way for arbitrary price increases on packages, particularly, and mandating a mode of delivery to consumers and business.

Thank you, Mr. Chairman.

Chairman CUMMINGS. Thank you.

Mr. Rolando?

#### **STATEMENT OF FREDRIC ROLANDO, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS**

Mr. ROLANDO. Thank you, Chairman Cummings, Ranking Member Jordan, and members of the committee for the opportunity to testify and for the tireless bipartisan work of the committee in recent years to strengthen the Postal Service.

Over the past decade or so, Postal employees have worked diligently to adapt to technological change, and increase productivity. Thanks to the e-commerce boom, we have recovered strongly from the recession. However, only Congress can address our biggest financial challenge, the unsustainable burden to pre-fund future retiree health benefits.

This burden, which was imposed by the Postal Accountability and Enhance Act of 2006 is one that no other enterprise in the country faces, and has accounted for 92 percent of our reported financial losses since 2007. Without it, the Postal Service would have recorded profits in each of the past six years.

While Congress could not have foreseen the devastating impact of the coming recession, it nevertheless saddled the Postal Service with an unaffordable mandate. A clear mistake that reclassified a long-term liability into a short-term liability.

Compounding the Postal Service's financial woes was the PRC decision to make the 2013 exigent rate increase temporary, even though the recession-related volume loss was permanent. This continues to cost the service \$2.1 billion per year.

A simple repeal of the pre-funding mandate remains the most obvious solution to the postal financial crisis. A repeal, in combination with a more sensible rate setting system from the PRC's 10-year review, would go a long way toward stabilizing the service's finances.

In fact, Representative Peter DeFazio and Tom Reed yesterday introduced a pre-funding repeal bill, HR-2382. If enacted, we would still have 12 to 13 years of funds sets aside for retiree health premiums, a total of \$47-and-a-half billion.

After the retiree health fund is used up for its intended purpose, the Postal Service would return to the pay-as-you-go approach to retiree health that other Federal agencies and private businesses use. The resulting near-term financial stability would create the conditions for the Postal Service and its stakeholders to evolve and adapt as we have for much of our history.

We recognize that some Members of Congress would prefer to maintain the pre-funding policy, but focus on ways to reduce its burden by fully integrating with Medicare. Unfortunately, that approach has failed to advance in Congress for a number of reasons. Most notably, the refusal of other committees of jurisdiction to take up measures containing Medicare proposals and the lack of certain safeguards.

Even more problematic was language to ban new door delivery service, and to require the conversion of existing door delivery to curb line, and centralize delivery. In fact, a bipartisan majority of 247 members of the last Congress co-sponsored House Resolution 28, a resolution that opposed such door delivery changes.

Going forward, NELC is committed to building consensus to overcome these obstacles with the House, with the Senate, and the postal stakeholder community. We believe there are viable options that could be pursued to reduce future postal liabilities by tens of billions of dollars, without burdening the taxpayers. The consensus among the stakeholders is simple, adjusting the pre-funding target to levels observed in the private sector, and to phase in Medicare integration in a way that limits its impact on the trust funds over the next 10 years.

In addition, we support the idea of basing the level of pre-funding on the Postal Service's vested liability for retiree health benefits. What it would cost to cover current retirees and employees near retirement age, who are actually eligible for such benefits. This would match the best practice of Fortune 1000 companies that

choose to pre-fund, while reducing the pre-funding burden on the Postal Service significantly.

By initially providing postal health plans, the Medicare Part D benefits available to private health plans, and then phasing in integration with Medicare Parts A and B, Congress would provide meaningful financial relief to the Postal Service, while minimizing the impact on the trust funds. This phase-in could be done by applying the standard private sector requirement to enroll in Medicare's Part A and B at age 65 to active Postal employees who are now under the age of 55.

Let me close with two final points, Mr. Chairman. First, I'd like to urge the committee to aggressively pursue postal reform this year, but to do it with caution and humility. As we learned in 2006, it's hard to predict the future. Long-term economic forecasts are notoriously inaccurate. And the costs of misconstruing the future can be high.

Indeed, the internet did not destroy the Postal Service as predicted. Just imagine if we had given into those who were advocating the end of Saturday delivery in 2011 or 2012. We would have missed out on the e-commerce boom. Worse, we would have unnecessarily eliminated tens of thousands of good jobs and weakened the Postal Service.

Second, we urge you to get both the content and the sequence of postal reform right. Let's address the most important issue first, the misguided pre-funding burden. Let's implement the PRC's new rate setting system. Let's fill the seven vacancies and the board of Governors with talented people who are capable of developing a workable business plan, and then let the Postal Service and its employees adapt and innovate to meet the evolving needs of our Nation.

Thank you again for this invitation to testify.

Chairman CUMMINGS. Thank you very much.

Mr. Edwards?

#### **STATEMENT OF CHRIS EDWARDS, DIRECTOR OF TAX POLICY STUDIES, CATO INSTITUTE**

Mr. EDWARDS. Thank you very much, Mr. Chairman, and members of the committee. Thanks for inviting me to testify.

While USPS mail volume is plunging, and the company is losing billions of dollars a year, European countries are facing the exact same problems of plunging mail volumes, but their response has been to open up postal markets to competition, and to privatize postal companies. A very different response than ours.

America should follow suit. Privatization and competition would give the USPS the flexibility it needs to cut costs and to innovate, while creating equal treatment of businesses across postal and package markets.

Aside from legal monopolies, the USPS enjoys numerous other benefits, including the fact that it pays no Federal, state, or local taxes. But at the same time, Congress ties the hand of the USPS, preventing it from solving its own financial problems.

So, what are some of the solutions? Well, first, I would say close post office locations. There are thousands of locations with very few customers.

I live in Northern Virginia, near Seven Corners, and there's actually two post office locations right near me within a half-a-mile on Leesburg Pike. It makes absolutely no sense. So, I would suggest closing one of my post offices in my neighborhood.

Cut labor costs. The USPS has \$110 billion in unfunded liability for retiree pension and health. Most private businesses do not even provide retiree health benefits, let alone defined benefit plans, which have gone the way of the dinosaurs.

Third, narrow the universal service obligation. The United States is one of the most expansive universal service obligations in the world.

And fourth, end cross-subsidies. There's been a lot of discussion of whether the USPS is using its monopoly mail to subsidize its package delivery. It's a complex issue, and I know the PRC recently had a ruling on that, but this issue is not going to go away, because the USPS is a special government-owned entity.

Federal Express pays \$2 billion a year in Federal, state, and local taxes. The USPS pays none. So, that creates a lot of unfairness and distortion, and an uneven playing field.

In the long-term, Congress should privatize the USPS, repeal its legal monopolies, and give the company flexibility to adjust to changing postal markets. Privatization may sound radical, but governments around the world have transferred thousands of state-owned businesses worth more than \$3 trillion to the private sector, everything from railroads, to airports, to postal systems have been privatized in Europe.

Europe has opened its postal markets to competition, and some nations, like the UK and Germany, have privatized their post offices.

A major report last year by the European Commission summarized a bunch of reforms that European postal companies are making. European postal companies, they are cutting costs with more flexible employment. They're using performance pay for workers. They're cutting delivery speed. They're cutting the frequency of delivery. They're delivering to common street mailboxes instead of doors. And some of them are closing down post offices.

Sweden and Germany essentially don't have post offices any more. They do retail postal activities through grocery stores and convenience stores, and that sort of stuff.

European postal companies are diversifying to try to make money in this new challenging environment. But the USPS is government owned. It's harder to diversify. Nor would we want USPS diversifying into industries like banking or grocery delivery, because it would create unfair competition to tax-paying businesses.

So, again, I think the solution is privatization. Privatization would improve corporate governance. The USPS board is dysfunctional currently. Privatization would allow the USPS to access debt and equity markets for investment that it desperately needs. A privatized USPS would pay Federal, state, and local taxes. It would put the USPS on a level playing field with other businesses.

Congress could impose the universal service obligation on a privatized USPS, but it should narrow the mandate, a narrower universal service obligation.



Postal markets are changing rapidly. Household-to-household personal letters have plunged to just three percent of total mail volume. Advertising mail represents 62 percent of the entire household mail volume today. Sixty percent of bill paying has moved online. There is more than 200 billion e-mails sent around the world every single day. The world is rapidly changing. America should follow the reforms in Europe.

Thanks a lot for having the hearing.

Chairman CUMMINGS. Thank you very much.

Mr. CONNOLLY. Mr. Chairman?

Chairman CUMMINGS. Yes.

Mr. CONNOLLY. I just have a unanimous consent request. I would ask that the prepared statement of the Greeting Card Association be entered into the record.

Chairman CUMMINGS. Without objection.

Mr. CONNOLLY. I thank the chair.

Chairman CUMMINGS. We'll go now into questioning, and I'll yield myself five minutes.

Let me say this. Ms. Brennan, I have few questions of you, Postmaster. But first of all, I want to thank you and your staff, and certainly your deputy, Mr. Stroman, you all have been constantly meeting with us. I was just sitting up here thinking about the many times that I met with all the stakeholders.

I've been on this committee along time, 23 years, and there's no entity that I've been in meetings with more than the Postal Service. So, we worked hard. Mr. Meadows—

Mr. MEADOWS. Amen to that.

Chairman CUMMINGS. Mr. Meadows, Mr. Connolly, and Mr. Lynch. I mean lots of meetings. And Ms. Lawrence.

And so, I want to thank all of you all for trying to work with us, and you all have been there for us whenever we needed information.

Postmaster Brennan, I'd like to go through some of the financial figures for the Postal Service, so that we can clear up some matters. The Postal Service receives no taxpayer funding, and relies solely on the sale of postage, and postage products to generate revenue. Is that right?

Ms. BRENNAN. That's correct.

Chairman CUMMINGS. According to the Postal Service's 10K filing for Fiscal Year 2018, the Postal Service's reported operating revenue was \$70.6 billion, an increase of \$1 billion, or a 1.5 percent increase from the prior year. Nonetheless, it ended the year with a net loss of \$3.9 billion. What are the primary reasons for these losses?

Ms. BRENNAN. Mr. Chairman, the fundamental root cause of our financial instability is a flawed business model that imposes significant costs on us, legally mandated costs, yet constrains our ability to raise revenue to offset those costs.

Chairman CUMMINGS. Mm-hmm.

Ms. BRENNAN. Specifically, an unaffordable retiree health benefit plan, which I think you heard from a number of the panelists. And the solution there is Medicare integration.

A strict price cap on products that generate roughly 70 percent of our revenue is a burden to our ability to improve our financial standing.

Chairman CUMMINGS. The Postal Service has incurred cumulative net losses of \$69 billion from 2007 to 2018. How can the Postal Service still be functioning if you lost that much money over the past decade?

Ms. BRENNAN. Mr. Chairman, I think as a number of the panelists had indicated, and as you did as well, the onerous burden to pre-fund retiree health benefits is roughly 80 percent of those net losses in the past decade.

Now what the Postal Service has done over these years is we prioritized our fundamental mission, which is delivering the mail. So, we deferred needed capital investments to help us in terms of a competitive marketplace. And we defaulted on mandated payments of more than \$48 billion.

Chairman CUMMINGS. So, in fact, the Postal Service reported it had been defaulting on payments for retiree health benefits and pension benefits to conserve cash. But absent legislative action, will the Postal Service ever be able to make those payments at any point in the future?

Ms. BRENNAN. Mr. Chairman, absent legislative and regulatory reform, in all probability we'll be out of cash in 2024. And that will threaten our ability to meet our obligation to the American public, and to our business partners like Mr. Quadracci, who relies on our platform for his business.

Chairman CUMMINGS. Now at the end of Fiscal Year 2018, the Postal Service reported that it had cash revenues of \$10.1 billion, and that its average daily liquidity balance during that year was \$11.3 billion, which represents about 54 days' worth of cash.

How much cash does the Postal Service need to make its regular biweekly payroll?

Ms. BRENNAN. Well, I would tell you, Mr. Chairman, we have a daily cash outlay of over \$200 million. And our financial advisor, who looked at our liquidity, which, as we describe it, is cash on hand and ability to borrow. That 11.3 billion is insufficient. For an organization with a \$70 billion revenue stream, at a minimum, we should have roughly 20 billion in cash on hand or ability to borrow.

Chairman CUMMINGS. That would equal how many days?

Ms. BRENNAN. Roughly, 100 days.

Chairman CUMMINGS. And we have a few months right now.

Ms. BRENNAN. Correct.

Chairman CUMMINGS. What is the impact of having less than two months' worth of liquidity on a company the size of the Postal Service?

Ms. BRENNAN. Well, again, Mr. Chairman, it requires you to be very judicious in terms of how you prioritize your spend, and also, frankly, hinders your potential ability to improve your competitive standing, because you're deferring capital investments, and you're making priorities day in and day out to ensure that you can continue to pay your employers and pay your suppliers, and deliver the mail.

Chairman CUMMINGS. Absent legislative action, when might the Postal Service run out of cash it needs to perform its mission for delivering the mail?

Ms. BRENNAN. Mr. Chairman, if we make our legally mandated payments in 2019, we will be out of cash in 2020.

Chairman CUMMINGS. You know, the situation you described is simply no way to run a business, I think you said is a flawed business model, and it's simply not sustainable. However, things do not have to be this way. Congress can enact legislation, making some basic reforms, which is what we've been trying to do, including eliminating unreasonable payments imposed by Congress that will end these defaults, and ensure the Postal Service is not always operating on the brink of liquidity event.

This should not be a partisan issue, would you agree?

Ms. BRENNAN. I would agree.

Chairman CUMMINGS. This committee has previously passed by bipartisan legislation that would have helped address the Postal Service's financial challenges. And I believe that we can pass similar legislation again, and take it to the floor of the House to get it passed this year. So, I hope the members on both sides of the aisle will join me in supporting this effort.

With that, I yield now to—

Mr. CONNOLLY. Mr. Chairman, could I just ask you a question?

Chairman CUMMINGS. What's your question?

Mr. CONNOLLY. You made a really good point about this committee passing the bill. My recollection is we actually passed it on the unanimous vote of this committee, is that correct?

Chairman CUMMINGS. That's right.

Mr. CONNOLLY. I thank the chair.

Chairman CUMMINGS. I now recognize Mr. Hice for five minutes.

Mr. HICE. Thank you, Mr. Chairman.

Mr. Rolando, it is true that the Postal Service is not supposed to be involved in political campaigns, correct, other than delivering mail? The Office of Special Counsel found systematic violations of the Hatch Act in 2016 with the Letter Carriers 2016 initiative. Are you familiar with that report, and the violations?

Mr. ROLANDO. Somewhat familiar with the issue they had with the Postal Service. Yes.

Mr. HICE. You ought to be very familiar with it. And just out of curiosity, were there any letter carriers requesting to campaign for Donald Trump during that time?

Mr. ROLANDO. I don't know.

Mr. HICE. Had they come forward to campaign, have a leave of absence, would you have forced management to grant Trump supporters a leave of absence to campaign for him?

Mr. ROLANDO. That would have been my decision, Congressman.

Mr. HICE. Whose decision would that be?

Mr. ROLANDO. It would have been the Postal Service, if they're requesting leave to do anything.

Mr. HICE. I mean who at the Postal Service?

Mr. ROLANDO. Their supervisor.

Mr. HICE. All right. Well, there was a concerted effort across the board for political activity on behalf of Hillary Clinton, and I'm just

curious how that happened, and the violations. Were there any consequences for violations of the Hatch Act?

Mr. ROLANDO. Not that I'm aware of, because there weren't any violations by letter carriers.

Mr. HICE. There most certainly were.

Mr. ROLANDO. Well, that's not what the report said, sir.

Mr. HICE. Well, the report makes it clear that there were systematic violations.

Mr. ROLANDO. Not by letter carriers.

Mr. HICE. Who were the violations committed by?

Mr. ROLANDO. I believe they were directed at the Postal Service.

Mr. HICE. Well, I mean aren't letter carriers the ones that took a leave of absence?

Mr. ROLANDO. They are the employees of the Postal Service.

Mr. HICE. And they were the ones who took a leave of absence for two months to campaign.

Mr. ROLANDO. They were the ones that had their requests for leave approved by the Postal Service.

Mr. HICE. And their requests were approved, and they campaigned for two months, had a leave of absence for two months, kept their job, came back. So, I'm curious if there were any consequences to that.

Mr. ROLANDO. To who, sir? To the letter carriers?

Mr. HICE. To those who were responsible. For crying out loud, this is not a complicated question.

Mr. ROLANDO. Oh, it is. It actually is a complicated question.

Mr. HICE. The Hatch Act was violated. I'm curious if those who were guilty of violating it, were there any consequences?

Mr. ROLANDO. You'd have to ask the Postal Service, because I believe—

Mr. HICE. Well obviously, because I'm not going to get any answers from you. Let me go to you, Ms. Brennan. You told this committee back in 2016 at the front end of the five-year plan that you had identified some \$5 billion in cost reductions, which was a good thing, but I'm curious if that strategy that you mentioned in 2016 has been implemented.

Ms. BRENNAN. In part, Congressman. And what we're focused on, looking out, is a 10-year plan that would address the USO and address pricing and product flexibility, giving the Postal Service the opportunity to better compete in an increasingly competitive environment.

Mr. HICE. So, that the plan that you mentioned four years ago has not been fully implemented.

Ms. BRENNAN. All the savings have not been achieved.

Mr. HICE. Okay. You also mentioned in February 2017, two years ago, you assured me personally, that the issue of replacing aging vehicles was going to occur in any month. You said that the award would be granted in a matter of months. That never took place, did it?

Ms. BRENNAN. Congressman, if we were talking about the next generation delivery program, that is a multi-year research, development, and testing program, that we just completed the testing actually in March.

Mr. HICE. All right. So, there was not an award, a contract award for—

Ms. BRENNAN. You may have been talking about the contract award, or we may have been discussing the contract award for the prototypes.

Mr. HICE. But that was never done.

Ms. BRENNAN. Yes, it was.

Mr. HICE. It was done?

Ms. BRENNAN. Yes.

Mr. HICE. All right. So, where do we stand now on aging vehicles?

Ms. BRENNAN. We just completed the prototype testing in March. So, we are currently analyzing the results of the testing that was done over a multi-month period in different topographies, different climates. And those results will help inform the production requirements going forward.

Mr. HICE. Okay. I'd love to explore this further. My time is running out.

Mr. Edwards, let me end with you. You brought up some interesting points a while ago. The Post Office is running out of money. Ms. Brennan mentioned 2024. I don't know if it will go that long, or not. But if the Postal Service were a private company, what changes would immediately be taking place to make it solvent?

Chairman CUMMINGS. The gentleman's time has expired, but you may answer the question.

Mr. HICE. Thank you, Mr. Chairman.

Mr. EDWARDS. I mentioned some cost-cutting, like closing post offices, cutting labor costs, that sort of thing. One thing I did want to mention about the retiree healthcare, the vast majority of private companies do not even offer private healthcare. And even if we move that entire burden over to, say, Medicare, the taxpayers, today, there is more than \$3 billion every year of new healthcare costs accruing from current employees.

So, you could move the costs over to taxpayers now. It doesn't solve the problem. These costs keep accruing and accruing. There's kind of a death spiral going on here.

Chairman CUMMINGS. Ms. Norton?

Ms. NORTON. Thank you, Mr. Chairman. And I certainly appreciate this hearing, because this Postal Service is an issue we work on every Congress, and don't seem to move very far. I recall that under a republican Congress we did pass a bill, and this bill never made it to the floor of that Congress.

And, of course, we've seen nothing in the Senate, this pre-funding notion put on the Postal Service - and nobody else. It can hardly be considered a best practice any longer. If it was such a best practice, then obviously we'd make everybody do it.

And that bill that we passed some years ago, this committee, the Postal Service, Postmaster General Brennan was required to enroll its employees in Medicare. How many have elected to enroll in Medicare Parts A and B?

Ms. BRENNAN. Delegate Norton, roughly 76 percent of our retirees are enrolled in Medicare Part A and B. The balance that are not is roughly 88,000 retirees. When this committee last—

Ms. NORTON. The balance are who? I'm sorry. The balance who have not enrolled are who?

Ms. BRENNAN. Roughly 88,000, the number. Retirees.

Ms. NORTON. Already retired. And, therefore, in the old system.

Ms. BRENNAN. They're not enrolled in Medicare Part A and B. And you mentioned in the last Congress, and the provisions of a bill, there was bipartisan support for Medicare integration for retirees. Restore half the exigent price increase, and provide us some product flexibility, and in total, those provisions would have generated roughly 50 to 55 billion over a 10-year period.

Ms. NORTON. Mr. Rolando, we have understood that some in the unions, I don't know if it was your union, in particular, have opposed required enrollment in Medicare. Has that been the view of the letter carriers?

Mr. ROLANDO. Speaking for the letter carriers, the only objection we had to Medicare integration was to have some protections for requiring and mandating anybody to pay something that they wouldn't be able to use. For example, veterans that had VA benefits that don't integrate with Medicare. Retirees that might live out of the country, you know, to be able to have exceptions. Don't make somebody buy something they can't use.

Ms. NORTON. Well, of course, Postmaster General Brennan, have the Postal Service employees already, I mean in light of Mr. Rolando's notion involving veterans, perfectly understandable, but have Postal Service employees already contributed to Medicare?

Ms. BRENNAN. Yes, ma'am. In fact, the Postal Service and Postal employees, through Medicare taxes, have contributed more than \$32 billion to the Medicare trust fund since 1983.

Ms. NORTON. So, they've already contributed. That even retirees who have elected not to enroll in Medicare have actually contributed to Medicare while they were still working.

Ms. BRENNAN. While they were employed?

Ms. NORTON. Yes.

Ms. BRENNAN. Correct.

Ms. NORTON. Do you know how much integrating Postal Service employees into Medicare would increase costs to the Medicare system? I think it may have been Mr. Edwards who said, you know, you're shifting the costs from one system to the other. The difference is while the Medicare system is in some considerable trouble, it's certainly not where the Postal system is.

And typically, the Congress responds when Medicare is in that kind of trouble, at least when we get close to the date when it's going to run out for people.

So, I'm asking do you have any sense of how much integrating Postal Service employees into Medicare would increase the costs of the Medicare system itself, or would somehow burden the Medicare system itself?

Ms. BRENNAN. Yes. And depending on the scenario, as President Rolando outlined a so-called carveout for those who may not benefit, our actuaries have estimated roughly 700 million to a billion dollars per year, which is roughly one-day spend.

Chairman CUMMINGS. Your time has expired.

Ms. NORTON. Thank you, Mr. Chairman.

Chairman CUMMINGS. Congressman Massie?

Mr. MASSIE. Thank you, Mr. Chairman.

Ms. Brennan, the President convened a taskforce to evaluate operational and management challenges at the U.S. Postal Service. I assume you looked at it. Are there any things in there that resonated with you? Are there any recommendations that you think we should take up?

Ms. BRENNAN. Yes, Congressman Massie. First, we appreciate the Administration's interest, and that they recognize the value of the Postal Service as a service provider and an employer.

The taskforce recognized that the business model is unsustainable, that a price cap, again, on products that generate roughly 70 percent of our revenue is unsustainable. They made recommendations about re-amortizing our retiree health benefits. They also made a host of administrative and legislative recommendations that should inform the public policy discussion going forward.

Mr. MASSIE. Are there any of those that you prefer the most? Any of those recommendations to Congress legislatively?

Ms. BRENNAN. Well, eliminating the price cap would be a priority. Giving us additional flexibility. The taskforce made recommendations about enabling the Postal Service to expand products and services with other Federal agencies, local, state tribal nations. I think that's an opportunity for us to leverage our physical and IT infrastructure.

Mr. MASSIE. So, along those lines, one of the recommendations from the report argues for redefining mail classes to reduce costs, or to exit the product class altogether. So, there may be products that you can get into that you're not into now. But are there products right now that aren't profitable, or that maybe should be combined, maybe classes that should be combined, or classes that we shouldn't be offering?

Or are there products that, frankly, the private sector may be doing that the Post Office doesn't need to do anymore? Can you talk about those, and that recommendation in the report?

Ms. BRENNAN. Yes, Congressman. There was a recommendation as I would describe as regrouping the products into essential and commercial. And in talking with some of our business customers, they would tell you that everything they mail is essential. That said, I believe it's a discussion that we should have with the stakeholders.

The proposed regrouping doesn't necessarily serve as a proxy to our current market-dominant and competitive products, but I think it's worth a discussion.

Mr. MASSIE. Mr. Edwards, I'd like to ask you about the President's recommendations. Is there anything in that report that stood out to you, or things that we should be doing, or things that aren't in the report that they need to be doing at the Post Office to be more competitive?

Mr. EDWARDS. I thought it was a very good report. They didn't go far enough. I mean the crisis here is much more dire, I think, than a lot of people are recognizing. Those healthcare costs keep accruing every year. First class mail volume keeps plunging.

I would agree with the USPS that we should raise the price cap on their monopoly products, but then we should open them to com-

petition. You can't have one without the other. You need to protect consumers by opening up the USPS to competition, at the same time, giving them the flexibility.

I mean the marketplace is changing dramatically. Amazon's getting into delivery, it looks like, down the road. We need to let USPS defend itself. And the way to do that is to privatize them, open them up, give them pricing flexibility, and let them diversify into other businesses. That's the way that they can defend themselves, and, frankly, their workers in the long run.

Mr. MASSIE. What is the most troubling part of the U.S. Postal Service's finances to you? You started out by saying, "We have more dire consequences facing us sooner than we realized."

Mr. EDWARDS. Some people on the panel have mentioned it. It's because first class mail keeps plunging in volume. Forty-five percent fall since 2001. That is their most profitable product.

You know, the USPS has very vigorous competitors, UPS and FedEx, and probably Amazon in the future. So, I think there's a death spiral here. I think that ultimately Congress is going to have to do a major reform. This is unsustainable, the direction we're going.

Mr. MASSIE. Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman CUMMINGS. Thank you very much, Mr. Massie. Mr. Lynch?

Mr. LYNCH. Thank you, Mr. Chairman. I also want to thank Mr. Connolly and Mr. Meadows for their great work on this issue, and as well as Ms. Holmes-Norton. She's been terrific on it. We've been at this for a long time.

I do want to point out a couple things. As Ms. Cigno has pointed out, right now the Postal Service, and forever, the Postal Service has been funded by stamps. Stamps. That's how we fund it. So, it doesn't get a big tax, you know, benefit. You know, we don't have an appropriation that we give to the post office. They basically work their system off of stamps.

And because stamps come in one at a time, it is 55 cents now for a first-class stamp, we give them a credit line. The Federal Government gives them a credit line, because it takes a while to collect all those stamps, and reimburse. So, this idea that the taxpayer has been footing the bill here is not accurate.

Second, I want to point out to my esteemed colleague from Ohio, the ranking member, that Sweden, you know, he holds up Sweden as the example, Sweden has about 10 million people. Okay? The United States has about 330 million people. So, 330 million people versus 10 million people. So, that's a real discrepancy there.

Sweden and all the EU countries, they have the national health service. So, all their workers, all their workers have their healthcare paid for by the government. The retirees have all their benefits paid for by the government. So, we don't have that. The postal workers are paying their own way here. We're helping out, obviously. There are some economies of scale that work in their favor, but to try to say that we're all of a sudden going to just switch this over.

We could use the example of Great Britain, which is a much better—there's about 60 million people there. So, a better example.



But when they went to a privatization model, their postal rates went up between 30 and 40 percent.

So, Mr. Quadracci, what would that to your industry if we went up 30 to 40 percent on our postal costs?

Mr. QUADRACCI. Well, it actually close to happened. And I took on my job in 2006, which was a glorious year, but it was the last year that the post office could increase rates before the cap came into play. And so, when that happened in 2007, before the impact of the recession—

Mr. LYNCH. Yes.

Mr. QUADRACCI [continuing]. I had to quickly shutter about a million square feet of capacity because the increase drove huge significant volume out of the system.

Mr. LYNCH. All right. So, it would not be good.

Mr. QUADRACCI. It would not be good.

Mr. LYNCH. Okay. The other thing I want to point out about the British conversion, they tried to—well, they did privatize their system. And, again, they already have everybody on national healthcare, so there's no healthcare costs to the postal system there. But they still had to go up 30 to 40 percent.

They also had \$38 billion in unfunded—I'm sorry. The comparison for us would be the taxpayer would have to pick up \$38 billion in unfunded liability for retirees' retirement costs. And then we would have to pick up, the taxpayer would have to pick, at least, Mr. Edwards, that's what you were alluding to, we would have to shift the—it doesn't go away. It just gets shifted.

So, privatization, which I firmly oppose, would require the taxpayer in the United States to take the \$38 billion in underfunded liability from the postal workers' pensions, which they're carrying now themselves, and then they'd also have to pick up, the taxpayer would have to pick up \$62 billion in retiree healthcare unfunded liability.

So, we're shifting about \$100 billion in debt over to the taxpayer, based on the privatization model that we have here today. So, you know, I just think there's much more that we can do here to help the Postal Service get squared away. I do believe in the idea of ending that odd system of paying retirees from the day that they join the Postal Service. You have to basically pay for their retirement immediately for 30 years hence, which is not the way the rest of the world works. We usually use a pay-as-you go system.

But, you know, as a proud son of a postal work, you know, two of my sisters are postal workers, I think if we added them up, I've told people before, I believe there's 17 members of my family, at one point, that were either working for the post office right now, or are retirees, or who have passed on.

So, it's been a real blessing in my family to make sure that those people have decent retirements after working their whole lives, decent healthcare. Look, we should hold ourselves to a higher standard here in the United States. We should treat our postal workers with respect and decency, based on the job that they do.

I yield back.

Chairman CUMMINGS. Mr. Lynch, I just want you to know, that my wife thinks I'm crazy, but I still use postage stamps.

[Laughter.]

Chairman CUMMINGS. I just want you to know I'm supporting all the members of your family.

Mr. LYNCH. Well, thank you.

Chairman CUMMINGS. I pay all my bills, all of them.

Mr. CONNOLLY. Mr. Chairman.

Chairman CUMMINGS. Yes?

Mr. CONNOLLY. I just want you to know I come from the part of Boston where my family envied Mr. Lynch's family. We wanted to work for the post office.

[Laughter.]

Chairman CUMMINGS. Mr. Meadows.

Mr. Meadows?

Mr. MEADOWS. Thank you, Mr. Chairman. And I want to thank you, Mr. Chairman, Mr. Connolly, Mr. Lynch for your work on the previous bill. And I guess I'm here today a little bit conflicted, in that I convinced all my colleagues to go along with a bipartisan bill. Mainly because a lot of the people that are in the audience, some of you that are there at the table today helped me understand the crisis that we're facing.

Ms. Brennan, I'm coming to you because I'm very upset with a lack of followup from you. And you've taken an advocate, someone who is willing to put in political cause, and you've turned me into someone who questions whether I can trust what you tell this committee, and specifically what you tell me.

And you met with me, with Mr. Stroman, back in January. You told me that you have a business plan. I said even if it has the S word for subsidy, I wanted a plan on how we can make the postal system viable long-term. You said you would get that to me in 10 days.

You know what? Ten days came and went, and I didn't get anything. So, we followed back up with you. We said, "Where is the plan?" And I was told that I would get it in a week. A week came and went, and it didn't come. I'm looking at your testimony, you don't even have a business plan today, Ms. Brennan. And I guess at what point are we going to get serious about fixing the postal system? And are you going to followup on the commitments you made to me personally?

Ms. BRENNAN. Yes. And Congressman Meadows, to be clear, when we met, it was early January, and we——

Mr. MEADOWS. January 4.

Ms. BRENNAN. And we indicated we would be meeting with our board to discuss——

Mr. MEADOWS. No. You didn't—you've changed the narrative. Did you commit to get me a plan?

Ms. BRENNAN. Yes, I did.

Mr. MEADOWS. Do I have that plan?

Ms. BRENNAN. You do not. It is still a work in progress. Congressman Meadows——

Mr. MEADOWS. Only in D.C. is 10 days three months?

Ms. BRENNAN. Congressman Meadows, throughout this timeline, as we were continuing to work on a 10-year plan with our board, we kept your office informed.

Mr. MEADOWS. No, you didn't.

Ms. BRENNAN. And I personally spoke to your chief of staff a few weeks back.

Mr. MEADOWS. We followed up with you, because we didn't hear from you, Ms. Brennan. And I've got e-mails to support it.

Ms. BRENNAN. Then I apologize Congressman Meadows, because it was my understanding that we were keeping your office informed as we continued to meet with the board each month to work on a 10-year plan.

Mr. MEADOWS. So, how long are we going to have to wait for a plan to come from the board, Ms. Brennan? I mean we've been dealing with this—it's been in crisis mode for two or three years. When are we going to have a plan?

Ms. BRENNAN. And yes. And if this committee had acted, and if we were able to pass reform, we'd be in a much better position today.

Mr. MEADOWS. You're changing the goalpost here. You're changing the goalpost, Ms. Brennan. I asked you for a plan to make it solvent long-term.

Ms. BRENNAN. Fair enough. And we are finalizing a plan that addresses a \$125 billion gap, Congressman. That's not something you do overnight. So, I apologize if I did not get the plan and submit it to you.

Mr. MEADOWS. Did you just recently find out that you had this gap?

Ms. BRENNAN. No, sir.

Mr. MEADOWS. Neither did I. When we spoke, we knew the crisis we were at, and yet, you sat in my office, and didn't give me the details, and lacked the courtesy of following up to let me know that it was being held up. We had to followup with you

Ms. BRENNAN. And I apologize for that——

Mr. MEADOWS. So, how do you take an advocate——

Ms. BRENNAN [continuing]. then, Congressman Meadows. I'd like you to remain an advocate. You've been a tireless advocate for the Postal Service, and we need you to continue to support the Postal Service.

Mr. MEADOWS. Well, I need a plan.

Ms. BRENNAN. Fair enough.

Mr. MEADOWS. I need a plan. Even my democrat colleagues today understand we need a plan. And at what point are we going to get it?

Ms. BRENNAN. We're in agreement. In fact, I had asked to meet with you, and my understanding is you requested to meet with our Governors, as opposed to meeting with me.

Mr. MEADOWS. Actually, the Governors reached out to me to meet with me. And so, let me just tell you, when we have it, I have met with all these people. You're more connected. You know what's going on.

Ms. BRENNAN. Mm-hmm.

Mr. MEADOWS. You are more connected than the NSA. And here, I am suggesting that you're taking an advocate and turning him into someone who has become hostile, because you are not willing to give us some facts.

Ms. BRENNAN. Well, I'm going to work on regaining your trust.

Mr. MEADOWS. When can I get a plan? You've talked to the board of Governors, the two of them.

Ms. BRENNAN. Mm-hmm.

Mr. MEADOWS. When are we going to have a plan?

Ms. BRENNAN. As I communicated to the chairman and the ranking member, within 60 days was our commitment to ensure that we brief out to this committee leadership, as well as our stakeholders.

Mr. MEADOWS. And so, in 60 days you're going to come up with a plan, which puts us about the August recess, where we can't get anything done. Ms. Brennan, I told you if we're going to act, we have to act now. And your delay is causing a real implication on behalf of the American people.

I yield back.

Ms. BRENNAN. If I may, Mr. Chairman.

Chairman CUMMINGS. You may.

Ms. BRENNAN. May I respond to that, please?

Chairman CUMMINGS. Yes, you may respond.

Ms. BRENNAN. This committee can act now on the core provisions that have been communicated, that have gained broad support among key stakeholders that will go a long way in putting us on firmer financial footing, and giving us some runway, Congressman, to try to build consensus for a plan that will address broader structural issues.

As you well know, we need stakeholder consensus in order to move——

Mr. MEADOWS. We are not going to a part-time bailout. I think the chairman would agree with me here. We want a plan so you're not back here in two years asking for more money.

Chairman CUMMINGS. Thank you very much. Postmaster Brennan, how long will it take you to get this plan? You said 60 days. Sixty days from when?

Ms. BRENNAN. From when I spoke with you two weeks ago, Mr. Chairman.

Chairman CUMMINGS. So——

Ms. BRENNAN. We're finalizing the plan.

Chairman CUMMINGS. Now my math does not put us in August. What is it? July. I believe in effectiveness and efficiency. And I don't want to waste my time and I don't want to waste yours. I also believe in fairness to the gentleman.

We're going to set a date consistent with——

Ms. BRENNAN. Fair enough.

Chairman CUMMINGS [continuing]. that. And we're going to bring you all back. And at that time, we hope to have your plan. And I'd like to have—I'm going to set it so that we will have the plan a little bit in advance, so we will have a chance to read it, and then we can talk about it. All right?

Ms. BRENNAN. Yes.

Chairman CUMMINGS. We will let you know that date——

Ms. BRENNAN. Fair enough.

Chairman CUMMINGS [continuing]. today. All right?

Ms. BRENNAN. Thank you.

Chairman CUMMINGS. I just asked you to do that.

Mr. CONNOLLY. Mr. Chairman?

Chairman CUMMINGS. Thank you very much. Yes?

Mr. CONNOLLY. Could I just—I just want to say we have never had a better partner on the other side of the aisle on postal reform than Mr. Meadows.

Chairman CUMMINGS. I agree.

Mr. CONNOLLY. And it is quite consequential if his perception that a promise was made and not kept. And so, I would strongly exhort the Postal Service to provide that plan, Mr. Chairman, along maybe the timeline you provided, and to repair the damage done in the communication between yourself and Mr. Meadows.

He is an essential partner. He has never broken his word to us on this side of the aisle. He has, in fact, relented on some things I know he cared about for the sake of having harmony on a bill. And I don't want to lose that. And I want to assure our friend from North Carolina he'll have our support in enforcing his request.

I thank the chair for his indulgence.

Chairman CUMMINGS. I agree with everything syllable you just said.

Mr. Rouda?

Mr. ROUDA. Thank you, Mr. Chairman. And thank you to the committee members here long before me who have worked so diligently on this issue. And thank you to our witnesses for being here today.

I would like to followup on a couple more questions on the business plan that Representative Meadows just mentioned. You said 60 days to get that finished. Can you give me an indication, Postmaster General Brennan, as to how far along you are in that planning process now? Like, are you 50 percent done, 60 percent done? I come from the business world, so I am just kind of curious with a business plan as robust and as extensive, and requiring as much due diligence as this does, for a budget this large, I'm hoping you're pretty far down that path.

Ms. BRENNAN. We are, Congressman. It's final validation.

Mr. ROUDA. Okay. Thank you. And then this question is for you as well, and Mr. Rolando.

It seems that there's a fair amount of agreement on how we can better position the business going forward so that it is at least breakeven, if not profitable. Can the two of you just tell us up here the major three, four, five things where there is concrete agreement?

Ms. BRENNAN. I'll speak for myself. Medicare integration.

Mr. ROUDA. Okay.

Ms. BRENNAN. Or some scenario that includes Medicare integration. Because, to us, if health costs—health benefit costs are roughly 14 cents for every dollar of revenue. It is essential to improving our financial condition.

And I believe pricing and product flexibility. They're the cornerstones of our ask.

Mr. ROUDA. And when we talk about Medicare and we talk about how other countries have privatized, many of those other countries, if not all of them, provide universal healthcare for their citizens. So, we don't really have an apples-to-apples comparison when we talk about that, correct?

Ms. BRENNAN. No, we don't. I think in a number of different criteria, when you look at the European Post, probably more so size and scale. We deliver 47 percent of the world's mail.

Mr. ROUDA. Mr. Rolando?

Mr. ROLANDO. Yes. I think there's—I know if you're referring to just pre-funding, I think there's three parts that I think we somewhat agree on going forward. There's obviously the 10-year review that needs to be completed by the PRC in terms of the pricing.

There's the filling the board of Governors with qualified people, so that they can get to work on the vision necessary to proceed, and to fill our networks. And as far as the pre-funding goes, I believe we have some generic agreement on using common sense corporate practices in terms of addressing the pre-funding, if, again, we don't do the obvious solution of repealing this in terms of the vested liability, the percent of the liability, the investment of any new funds that aren't just Treasury securities, the benefits of part D for Medicare and the integration, with exceptions of Medicare A and B.

Mr. ROUDA. And we talk about these innovations to the business model, I know both of you, and everyone on the panel are discussing those possibilities, one question I've got on the universal delivery mandate, is there thought of adjusting the pricing depending on the delivery address being affected? And if so, wouldn't that have a dramatic impact on rural areas, the cost of receiving their mail?

In other words, is one cost first class for everyone versus modified cost structure based on delivery?

Ms. BRENNAN. No. We're not looking at—particularly, when you look at our market-dominant products, in terms of our pricing. You know, the universal service obligation certainly recognizes the value of delivering to every address in America regardless of location.

Mr. ROUDA. Wouldn't that be one of the concerns, though? If it was completely privatized and based on a competitive structure, wouldn't you have different pricing by address, literally, potentially?

Ms. BRENNAN. Potentially, yes, Congressman. I think you would look at a surcharge, as some competitors currently do to deliver in deep rural America. When you look at the network economics, it would likely bear that out from a business perspective.

Mr. ROUDA. Mr. Rolando, there are 68 million Americans who are underserved by banks and financial institutions. Do you believe the Postal Service should be given authority to offer limited financial services such as check cashing and rechargeable gift cards as broadening the base of products and services the Postal Service can provide?

Mr. ROLANDO. I believe that there is a lot of things involving financial services that the Postal Service could do under existing law. I think that's one of the things that getting a full board of Governors. I would defer to their wisdom, and vision, and judgment in terms of anything beyond current law with financial services.

Mr. ROUDA. Okay. Thank you, Mr. Chairman. I yield back the remainder of my time.

Chairman CUMMINGS. Mr. Grothman?

Mr. GROTHMAN. Yes. Mr. Edwards, how much did the Post Office lose last year, do you know?

Mr. EDWARDS. They've been losing, you know, 4 or 5 billion a year for over a decade now.

Mr. GROTHMAN. Okay. Can you rattle off just a few of your suggestions that will not result in getting rid of the universal mandate? Your suggestions for reducing that deficit.

Mr. EDWARDS. Well, closing post office locations, like I said, in my testimony. Sweden and German essentially don't have—

Mr. GROTHMAN. Could you rattle off like how much each one of those things you—how much savings you would find in those things?

Mr. EDWARDS. I don't know off the top of my head. I mean the USPS has over 30,000 locations. So, you can imagine the huge infrastructure costs that entails. If we move those post office locations to convenience stores and grocery stores, like European countries have done, I think that will save a lot of money.

The \$110 billion of unfunded liabilities for pension and health is a massive problem. I don't disagree in the long term, if you restructured USPS that some, or maybe even all that cost could be moved on to taxpayers. That is what Britain did when they privatized their Royal Mail.

The issue is, those costs are already past. You have to think moving forward. We have to allow USPS the flexibility for pricing, for marketing mail, for periodicals, and the flexibility to cut costs.

Mr. GROTHMAN. Okay. I am going to ask a couple questions of Ms. Cigno. But first of all, I would like to ask Mr. Quadracci, do you have an opinion on that, as far as what you would do to reign in the costs?

Mr. QUADRACCI. Yes, I do. I've been involved in this a long time. This is also a family business. So, I grew up around postal for better or for worse. And these are not new ideas. We've talked about a silver bullet for many years.

I run a very tough business. The post office is a very tough business. And I think we all naturally try and go for a silver bullet, when, in fact, the way I have to run my business, a lot of incremental tough decisions day by day.

I met with the taskforce from the President. I was invited in. And I told them that I thought that the solution was in this bill. And if you think about privatizing the post office, yes, maybe that's an idea at some future point. And when you say privatize, you're basically saying let it run like a business.

Well, the first thing I would do if I was running it like a business is, I'd have to get rid of the pre-funding of the retirement healthcare. I'd have to do most of the stuff that's done in this bill, and the fact that we haven't passed this is just accumulated the losses that could have maybe—energy could have been spent in investing in better incremental improvement.

Mr. GROTHMAN. I will ask you. I assume a fair amount of the Postal Service cost is employee related. Okay? And you have many employees. So, you have some feeling about what adequate compensation is, adequate retirement, adequate fringe benefits, adequate—

Mr. QUADRACCI. Yes.

Mr. GROTHMAN. Do you think there is any potential cost savings there?

Mr. QUADRACCI. There always is. I mean automation has taken on a lot of new levels. We automate all over the place. But I have to manage all the same challenges of healthcare, benefits, while most of my contracts being under a CPI cap. So, you know, it's tough business, but you've got to make a lot of different decisions. But there are costs that can come out on the labor side in any business.

Mr. GROTHMAN. Okay. You think that is particularly true of the post office, or not?

Mr. QUADRACCI. I think it's particularly true of any business that has a lot of employees.

Mr. GROTHMAN. Okay. I don't mean to put you on the spot there.

Mr. QUADRACCI. That's Okay.

Mr. GROTHMAN. Okay. I will ask some questions with regard to the delivery vehicles. Ms. Brennan, you have an older fleet right now of vehicles. It is about 24 years old, on the average, is that right? Your delivery vehicles?

Ms. BRENNAN. Congressman, we have over 200,000 vehicles in our fleet. When you look at our delivery fleet, the majority of those vehicle are called long-life vehicles. Yes. And the average age is 27 years.

Mr. GROTHMAN. Would there be a savings if you were to begin to replace some of them, given your billion dollars a year in maintenance.

Ms. BRENNAN. Yes, sir. And that billion dollars includes some field costs as well, but yes.

Mr. GROTHMAN. Okay. What is the status? We've had testimony before in this hearing. What is your status, when you begin to think new acquisitions will be made?

Ms. BRENNAN. Congressman Hice asked a similar question, and we just completed the testing of the prototype vehicles this past month. We're now in the stage where we're assessing those test results, and that will help inform the production requirements. And ultimately, our request for production, which would likely be later this summer, early fall.

Mr. GROTHMAN. So, you will begin to order new vehicles, or they'll be in production later this year.

Ms. BRENNAN. Well, I would say this, Congressman, we deploy roughly 10,000 to 12,000 new vehicles a year. But this next generation, that will be also a multi-year procurement timeline.

Mr. GROTHMAN. When do you think you will buy the first ones?

Ms. BRENNAN. Likely 2021, given the production capacity.

Mr. GROTHMAN. We're still two years off.

Ms. BRENNAN. Correct. For the next generation. In the meantime, though, Congressman, we are also testing commercial off-the-shelf vehicles, and that will be an opportunity for us to replace potentially up to 50,000 vehicles in the next year or two.

Mr. GROTHMAN. Thank you much.

Chairman CUMMINGS. Ms. Hill?

Ms. HILL. Thank you. I want to thank the chairman for convening today's hearing, and I look forward to working with him



and all the members of the committee to enact reform legislation in this Congress. And I want to thank you all for being here.

As the chairman stated, it appears that the financial condition of the Postal Service has deteriorated for three reasons. Decline in first-class mail, increase in expenses, and the pre-funding requirement.

Mr. Rolando and Mr. Quadracci, you've both stated, and actually, Ms. Postmaster, you have all stated that repealing the pre-funding mandate will have the biggest impact on long-term solvency, is that correct?

Ms. BRENNAN. That's correct. It's roughly \$3 billion.

Ms. HILL. Great. So, how would you address, and I guess the question is to the three of you. Actually, this can be to everyone. How would you address the other two reasons about, you know, the reduction in first-class mail, and the increase in expenses? Just briefly.

Mr. ROLANDO. I would say, again, this is a three-part process. The pre-funding is just a part of it. As far as the revenue, I think it's really important to fill the vacant seven positions on the board Governors, and, again, allow them to exhibit their vision and their expertise, and to fill the networks, and, you know, deal with the revenue stream.

On the expense side, again, there's a 10-year review that's being done by the PRC that should conclude sometime this year. And I think that will balance that.

But those three pieces are all really important. As I said in my opening statement, in terms of, you know, doing any kind of 10-year review, I think it's almost premature to try to do that without having some idea of what's going to come out of that review, and what's going to happen legislatively with regard to the pre-funding, unless the review would really just project those things, you know, happening in a particular way.

Ms. HILL. And Ms. Brennan?

Ms. BRENNAN. I would add afford the Postal Service more flexibility with products that we can provide our customers. Leverage our unrivaled physical infrastructure and our IT infrastructure.

Ms. HILL. What products would you increase, or include that are not currently—

Ms. BRENNAN. One I would say, if you think about the current process with passports, there is an opportunity for us to provide other services that maybe local, state, tribal nations currently provide. I also think if you considered the digital space, and I.D. services, an opportunity where the Postal Service may be able to play there as well.

Ms. HILL. Great. Ms. Cigno, anything you would like to add? Or Mr. Quadracci?

Ms. CIGNO. No. I think they covered it pretty well.

Ms. HILL. Thank you. Mr. Quadracci?

Mr. QUADRACCI. Yes. I think they covered it as well, but I'd say that there's been a fair amount of innovation to be worked with the post office years ago about doing some discounting for people who would start to use multi-channeling to mail. And it's been very successful. So, I think we have a very good public-private relationship, where we also, by the way, as a printer, do a lot of the work for

the post office. And that has been very helpful over the years. So, I think innovation is going to be important.

Ms. HILL. Thank you. And Mr. Edwards, you, in your testimony, spoke about a problem with the union work force being paid too much. You tout slashing the work force and large cuts as efficiency gains. And to me, you know—you discussed reducing the delivery to every other day. And closing office locations.

So, I am just wondering if, to put it simply, your proposal is literally to cut jobs, pay people less, and serve fewer people?

Mr. EDWARDS. Yes. And I think, looking down the road, that is going to happen, where the USPS is in a dire situation. The Postmaster mentioned that they had—the USPS owns over 200,000 vehicles, an enormous cost. They've got to replace that fleet.

If you went to every second day delivery, you could cut the fleet in half. That would be enormous savings, and frankly, would be a green reform, good for the environment.

Ms. HILL. Okay. I only have a little bit of time left. But you are a director of tax policy studies at a think tank that was founded by the Koch family. It is a nonprofit organization. And on a page on your website that talks about tax deductible contributions that corporations can be making, tax deductible contributions.

The first quote under the section called, Praise for Cato, is from Frederick Smith, the chairman and CEO of the FedEx Corporation. So, just to clarify, FedEx is a major supporter of your organization, and you're here advocating for the privatization of postal services.

So, essentially FedEx is receiving a tax deduction to have someone come testify in front of Congress to take measures that would directly benefit them, is that correct?

Mr. EDWARDS. Well, what you just highlighted was the fact that we're very transparent about who our funders are.

Ms. HILL. Okay. Well, I am glad you're transparent about it, but that's the end result, right? That you're advocating for something that would directly benefit FedEx.

Mr. EDWARDS. No one told me what to say here. I can say whatever I want from my perspective of analyzing the finances of the USPS.

Ms. HILL. Okay. Just wondering why we should trust you. Thank you. I yield back.

Chairman CUMMINGS. The gentle lady's time has expired. Were you finished, Mr. Edwards?

Mr. EDWARDS. Yes.

Chairman CUMMINGS. I just wanted to make sure you had an opportunity.

Mr. EDWARDS. Yes.

Chairman CUMMINGS. Very well. Ms. Miller?

Ms. MILLER. Thank you, Mr. Chairman. And thank you all for being here today.

The United States Postal Service is critical in districts like mine where we do not always have access to reliable broadband or cell phone service. The Postal Service helps connect my constituents with their loved ones, and deliver goods to their home. That is why I am troubled to hear about the financial insolvency facing this important service. It is necessary that we look at options to help in-

crease revenue and ensure that our constituents can still receive their mail in a timely fashion.

Postmaster General Brennan, can you talk about rural delivery? Is it correct that the USPS does not charge any surcharges to my constituents, or to any ZIP codes in America?

Ms. BRENNAN. Congresswoman, for market-dominant products, that's correct. On the competitive side we do adjust pricing. We have published rates, and we have non-published rates. And the non-published rates can include a different price for competitive product delivery in rural America.

Ms. MILLER. Okay. Thank you.

Director Cigno, how much have package prices been raised over the past few years? And is this in line with private carriers?

Ms. CIGNO. I think on average the increases have been roughly about five percent over the past couple of years. I think this is in line with private carriers, although, I would note that private carriers have a lot of unpublished rates. So, it's hard to do a one-to-one comparison between the rates, because I don't know what they charge a lot of their customers.

Ms. MILLER. Okay. Thank you.

Mr. Edwards, as you know, President Trump signed an executive order to establish a task force on the United States Postal Service. One of the recommendations made by the task force was to allow the USPS to explore new business opportunities, to expand revenue, such as allowing the USPS to process hunting and fishing licenses.

How would ideas like this be helpful in helping the USPS collect new revenue?

Mr. EDWARDS. I think it's reasonable to allow USPS some modest diversification, but once they—if you think about the USPS making a major leap, say, into banking, or a grocery delivery, and other sorts of things like that, it makes no sense, because we already have private sector entrepreneurs doing those sorts of things. And they pay Federal, state, and local taxes. The USPS pays no Federal, state, or local taxes. So, it's an issue of unfair competition.

So, some diversification is fine, but I mean making big leaps into other industries where we already have private businesses makes no sense.

Ms. MILLER. How can Congress empower the USPS to make some of those changes?

Mr. EDWARDS. Well, I think, as I testified in my written testimony, I think that the USPS is in a giant dilemma now. It needs to diversify to survive. It really does. Mail volume is plunging. Marketing mail volume is falling as well.

So, its core is disappearing. It's in a dire situation. It has to diversify. But we can't let it diversify if it's going to be competing against taxpaying companies. The only way out, in my view, is privatization. And I think, you know, Congress can put this off and put it off. In the end, it's going to happen because it has to survive, it has to diversify. If we want it to diversify, it's got to be on a level playing field with other companies.

Ms. MILLER. Are there ways in the USPS can better utilize technology in order to allow for better cost allocation and targeted pricing?

Mr. EDWARDS. I'm sure it can. As I mentioned in my testimony the European commission came out with a giant 300-page report last year on European postal systems. And reading that report, it really did strike me that the more entrepreneurial European systems were getting heavy into technology all over the place.

And I know the USPS is doing a lot on that, but I'm sure more could be done. Again, I think the issue is privatization. Private companies are just much more innovative than government bureaucracies.

Ms. MILLER. Okay. Thank you so much. Mr. Chairman, I yield back my time.

Chairman CUMMINGS. Thank you very much. Let me say this, as I call on Ms. Wasserman Schultz. Ms. Wasserman Schultz, I just want to compliment you on your efforts with regard to safety of our postal workers. The fact, the pipe bomb, I know it affected your office directly. And it would have affected me. I was on the list, too. It just didn't get to me.

But I am looking at possibly doing a hearing that combines that issue with another safety issue, which is the one that was mentioned on 60 Minutes this past Sunday, where Fentanyl is being shipped from China. And they say if you just touch it, you can die. So, again, that goes to safety of our employees. But I am sure you may have some questions now. But I just wanted you to know that's on our radar screen.

Ms. WASSERMAN SCHULTZ. Thank you. Thank you, Mr. Chairman.

Chairman CUMMINGS. Ms. Wasserman Schultz?

Ms. WASSERMAN SCHULTZ. Thank you, Mr. Chairman. I appreciate your kind words and your underscoring the importance of security for our postal workers throughout the entire system, and certainly from mail recipients as well.

And just to recap, I do have a brief question about that, and then I have a question related to pre-funding.

Just as a reminder, and Ms. Brennan, my question will be of you. In October 2018, packages containing explosive materials were sent to democratic leaders, including President Obama and Secretary Clinton. My name and district office address were listed as the return address for every single one of those packages.

Unfortunately, one package was returned by the USPS to my office. Some packages were captured in transit, and others reached their intended recipient.

The explosive device returned to my office had to be detonated in a nearby stairwell right outside my office. Luckily, the perpetrator was apprehended and no one was injured. And I'm internally grateful to the FBI, local law enforcement, and the USPS for their efforts to keep us safe.

But this incident did expose potentially serious holes in our postal system security. Safety of mail services is critical for not only its recipients, but mail carriers and workers who work at post offices and mail processing centers. Every worker who not only handled, but was in proximity to these packages were in danger.

They were determined to be explosive devices. Let me be clear. When the package containing a pipe bomb was delivered to my district office, my staff and everyone working in the building was

threatened, and the pipe bomb package was in my office for 48 hours.

Ms. Brennan, with the incident I just described in mind, since these attempted mail bombings in November, has USPS made changes to or improved its safety procedures? Do you believe that major postal centers are adequately equipped with appropriate technology to track and identify suspicious packages or abnormalities, keeping in mind that none of these packages were intercepted while they were in the mail system?

Ms. BRENNAN. Congresswoman, first, the safety and security of our employees and the customers we serve is paramount. I would like to talk to you privately about some of those enhancements we made, given the sensitivity, but suffice it to say, in that particular situation, it was trained and alert employees, as well as the enhancements we made, invisibility, as packages moved through our network, that ultimately enabled us to identify those additional packages.

Ms. WASSERMAN SCHULTZ. Are you not able to share additional steps that you have taken? Because most of the packages left the Postal Service, and actually reached some stage of its intended recipient's address. Most of them were not intercepted in the Postal Service.

So, are you currently investigating any additional equipment or technology to assist in identification of suspicious packages? I'm certainly happy to discuss that with you—

Ms. BRENNAN. Yes.

Ms. WASSERMAN SCHULTZ.—privately to the degree that that is necessary. What is the timeframe and likelihood of implementation for your measures that you are in the process of looking at?

Ms. BRENNAN. Ongoing. These are ongoing efforts to improve the security of our infrastructure. That's our network. Obviously, continuing to train employees to identify suspicious packages. You know, clearly, once we saw that package, how it was prepared, the number of stamps on that package, et cetera. And also, the investments we made in identifying those types of packages as it moves through our network.

Ms. WASSERMAN SCHULTZ. Well, given that that was 2018, this is 2019, you can understand how troubling it is that we wouldn't already have those kinds of security measures in—

Ms. BRENNAN. Mm-hmm.

Ms. WASSERMAN SCHULTZ.—place. And that we obviously aggressively need to add security measures beyond which you already had in place.

And Mr. Chairman, I would very much appreciate—I think it's absolutely essential that we do hold a hearing. I there's nothing partisan about this issue. We are all potentially endangered. And so, if you would, both because of the Fentanyl issue and the overall security issues that this brought to light, it would be incredibly important.

Chairman CUMMINGS. I promise you, we will followup.

Ms. WASSERMAN SCHULTZ. Thank you so much.

And then just moving on in my last 45 seconds, Mr. Rolando, I know we've talked about the pre-funding issue. The pre-funding payments are statutorily prescribed, ranging from \$5.4 billion to

\$5.8 billion annually. Is there any other agency in the U.S. Government that is required to accelerate their funding like this, or are they allowed to pay as people are projected to retire under normal circumstances?

Mr. ROLANDO. To my knowledge, the Postal Service is the only agency.

Ms. WASSERMAN SCHULTZ. And Mr. Rolando, how much of USPS's losses since the mandate came into effect can be directly attributed to the pre-funding mandate?

Mr. ROLANDO. Since 2007, I believe it's about 92 percent.

Ms. WASSERMAN SCHULTZ. Ninety-two percent.

Mr. ROLANDO. Yes.

Ms. WASSERMAN SCHULTZ. Well, that certainly cries out for doing something differently, and addressing this situation in a very significant way. In business, if we actually had 92 percent of a deficit that could be attributed to a policy change, then perhaps you would rethink and revisit the policy change. And so, I just wanted to make sure that that was underscored because it had not been up to this point.

With that, I yield back. Thank you.

Chairman CUMMINGS. Thank you very much. With unanimous consent, I'm going to grant the gentleman a minute-and-a-half.

Mr. MEADOWS. Thank you, Mr. Chairman.

And I want to thank the gentlewoman for raising this issue of security, and I want to not only join her, but make it a priority where you come in, privately brief us immediately.

And let me tell you the reason for this is, we have to take this extremely seriously. And I know you're making efforts, but failure is not an option, Ms. Brennan. And just like her staff was at risk, let me tell you why it comes home to me as well.

We got a notice on our door up here, which appeared to be a suspicious package addressed to someone from an unknown place. I got on the phone to call, because as I said, maybe the postal letter carrier is at risk. And I was put on hold for an hour-and-43 minutes, where I actually made it to the post office quicker than they actually answered my—we got a real person. They put me on hold. Actually, it was even worse than that. They put my wife on hold for an hour-and-43 minutes. So, I actually went to the post office to say, "We've got this suspicious package," of which we gave to the postal inspector.

When we got there, it was great, but to her point, it is a critical, critical thing that we have to address, and I think within the next couple of weeks we need to make sure we have this understanding on what you're doing.

I thank the gentleman. I yield back.

Chairman CUMMINGS. I want to thank the gentleman for his statement.

What I will do is working with the ranking member and certainly all those that are interested, we will set up that private meeting. But, again, I'm going to also followup in the bigger picture, too. All right? Thank you very much.

Mr. COMER?

Mr. COMER. Thank you, Mr. Chairman, and Ms. Brennan. Thank you all for being here. Like most Americans I support the post of-

fice, the Postal Service. Like everyone on this committee, I think we agree we need major reform to the postal system.

My grandmother was a rural mail carrier. She retired from the post office, so I am very familiar with the challenges that the Postal Service has. But I am very concerned about the proposals to the definition of universal service.

What would this mean for rural mail delivery? It sounds to me like the proposal is to make rural Americans pay more to receive non-essential packages. Is that your understanding?

Ms. BRENNAN. No, Congressman, it's not. And we certainly recognize the importance of rural America. The taskforce recognizes the importance of rural America.

Mr. COMER. Okay. Well, with respect to the two tiers of service, essential and non-essential, let's touch on that. Who's to say what's essential? Are groceries not essential for rural Americans when rural grocery stores are struggling to stay open? Are clothes for kids not essential for moms who don't have affordable retail options? Are any items sold by small businesses not essential for that small business? Who determines essential and non-essential?

Ms. BRENNAN. Congressman, I think that will be the discussion. That was a recommendation from the taskforce. Clearly, you could argue that that's subjective. It's arbitrary, and I think that's a discussion the stakeholders need to have.

My comment earlier regarding essential was that any business that mails with us considers that product essential to their business.

Mr. COMER. Well, let me close by saying this. I would strongly encourage you to get a plan as quickly as possible to this committee. There aren't a lot of things that I think have potential for bipartisan support, but this possibly is one, if there is a plan.

You talk to the business community, there's a lot of concerns with the post office. I know there are things the Postal Service does that puts them at a competitive disadvantage to some of the private companies. I'm aware of that.

So, I think it is imperative that we try to come up with a solution, but we can't do that without a viable plan. And just touching on what my friend and colleague, Representative Meadows, said, we don't need a plan to put a Band-Aid on it, and then have you all come back next year asking for another assistance subsidy bailout, or whatever. We want to see you succeed, but we have to have a viable plan.

So, Mr. Chairman—

Mr. MEADOWS. Will the gentleman yield?

Mr. COMER. I yield to Representative Meadows.

Mr. MEADOWS. So, let me go back. I mean there's been a lot of comments. And Ms. Brennan, I want to make sure that I'm clear with a couple of things.

One is, with all due respect to my good friend, Mr. Edwards, we're not going to close post offices. There is not the political will on Capitol Hill to do it. And candidly, when we did it before, it did not save money. And you are working it, as much as this might sound like a good idea, it doesn't save money. And it disproportionately impacts rural communities, and so, as you're working on the plan.

The other is quit focusing on pre-funding. We gave that up last time. We said, "Okay, we understand the pre-funding is there." The problem is with pre-funding out of the way, you're still not profitable. And by profitable, you still do not break even in a non-profit environment, I guess. You are still operating in red ink, even with the pre-funding out of the way.

So, I need your plan to assume that pre-funding goes away, which I think we've passed that Rubicon a long time ago. But for us to focus on pre-funding as the end-all, be-all, it does not solve our problem. Would you agree with that, Ms.——

Ms. BRENNAN. I would agree with you Congressman Meadows. It's why I mentioned that \$120 billion cumulative loss, and that we have to address broader issues.

Mr. MEADOWS. And so, let me in the few short—with the gentleman's permission, with a few short—what are we going to do about—I know we've been looking at parcels, and that's going to be the saving grace. And yet parcel increases, in terms of the overall market, went up by 15 percent. Your market share only went up by six.

I mean that is a business model that is not sustainable either. What are we going to do to address that?

And I yield back.

Ms. BRENNAN. And it's not solely package growth. I think as Mr. Quadracci mentioned, when you look at the efforts we have to enhance the value of mail, promotions, giving print a digital reflection, to keep customers in the mail, when you think about our—what, in essence, are two lines of business, package volume is roughly four percent of our volume. Mail is 96 percent of our volume.

So, that mix, while there's been some adjustment, we'll still be heavily relying on mail. So, we have to continue to keep mail relevant, keep it targeted, make it creative to keep customers in the mail.

Chairman CUMMINGS. Thank you very much. Mr. Welch?

Mr. WELCH. Thank you very much. And I thank the chairman for this hearing. I thank the witnesses. This committee has been laboring on this for a long time, and it's tough.

You know, one of the reasons I will go to you, Mr. Edwards. You made the case that if there are going to be some other—you're making the case for privatization. I understand that. But the public policy question is whether there are some services, such as the Postal Service, that has been around longer than the country has been around, where you make a public policy decision that that will be provided, because it serves some significant goals. Do you dispute that?

Mr. EDWARDS. No. I think with a privatized post office, Congress could, like most European countries, I think every European country has, you keep a universal service mandate on that private formerly monopoly provider, and you could fund it. You could do an annual calculation to find out how much that costs the USPS. Maybe a few billion dollars a year. And you could give them a line item subsidy to cover all the addresses for whatever universal mandate you want. But then you open the playing field to other companies.



Mr. WELCH. So, you are saying you'd have competition with other private entities trying to compete with the post office itself.

Mr. EDWARDS. Right. But then the post office is the universal service provider, and it would have a mandate for that.

Mr. WELCH. I disagree with that, but I understand what you're saying. Because I think what tends to happen is that it will be kind of a race to the bottom. A lot of services would be offloaded and the profitable services will be the ones where there's competition. And I think at the end of that, the public will lose. But that is obviously a philosophical debate.

Postmaster General Brennan, what's your view on that, what he just said?

Ms. BRENNAN. The Postal Service view is we're a creature of statute.

Mr. WELCH. Right.

Ms. BRENNAN. We were established as a fundamental government service. And we believe that there is a path forward to sustainability while remaining a quasi-governmental institution.

Mr. WELCH. Right. And the big advantage that you have is you can provide a level of service that our citizens still value, right.

Ms. BRENNAN. Correct.

Mr. WELCH. And I hope that would include continuing six-day delivery.

Ms. BRENNAN. The challenge for us is when you look out, we're delivery less mail to more addresses. And that's not sustainable in the long run.

Mr. WELCH. Right.

Ms. BRENNAN. But I do believe part of the discussion, as we discuss the USO, would be delivery frequency.

Mr. WELCH. Right. But here's the dilemma that we have. The better the service, the more people will use it, in general. I mean would you agree with that?

Ms. BRENNAN. Yes.

Mr. WELCH. And then you have the challenge of trying to figure out how to pay for it, correct?

Ms. BRENNAN. Yes.

Mr. WELCH. Yes. Mr. Rolando, you have any thoughts about what it is we need to do to maintain service consistent with the enormous pressures that folks you represent have to contend with?

Mr. ROLANDO. Yes. I guess it really depends on the agenda, you know. If the agenda is to raise costs, reduce service, take business away from the Postal Service, and hand it over to private delivery companies, that's one agenda. If the agenda is to work with Congress to correct, again, an unintended error some 13 years ago, it's a whole different group of ideas. And it's what we are here to try to move forward.

Mr. WELCH. All right. The work force in the Postal Service has shrunk quite a bit, right?

Mr. ROLANDO. By about 200,000. Yes, sir.

Mr. WELCH. Yes. That's a lot of folks. And there's a lot of temporary workers on whose pay and benefits are significantly different than the full-time force, correct?

Mr. ROLANDO. Productivity is an all-time high. We are working with about 200,000 less people, and postal employees are not hired to career positions any longer. They have to come in as non-career.

Mr. WELCH. By the way, you guys work hard.

Mr. ROLANDO. We do.

Mr. WELCH. I'm showing up at my apartment, it's nine at night and I see a postal person. What's going on? Are you complying with OSHA? Are you working them too hard? What's going on?

[Laughter.]

Mr. WELCH. Seriously. I mean what——

[Laughter.]

Mr. ROLANDO. Oh, that's a question?

Mr. WELCH. Well, I'm amazed. I'm coming home, and they're there delivering the mail. They've been at it for 10 or 12 hours. They work harder than Jordan does.

[Laughter.]

Mr. WELCH. Anyway, thank you. I yield back.

Mr. MEADOWS. Will the gentleman yield? The gentleman yields?

Mr. WELCH. I do yield. Yes.

Mr. MEADOWS. Let me ask you this, Mr. Rolando.

Mr. ROLANDO. Yes.

Mr. MEADOWS. You just said employees are coming in non-career. Is that what you said?

Mr. ROLANDO. Yes, sir.

Mr. MEADOWS. Can you explain that, because I don't think a lot of people understand what that means, and how that is different than maybe before.

Mr. ROLANDO. Yes. It used to be, prior to, I don't know, maybe 2012, 2013, letter carriers were, I'll speak for my union, letter carriers were hired as part-time flexibles, but they were career employees, and then over a period of time they would become full-time regulars.

The way the hiring works now, you come in as what's known as a CCA, which is non-career position. And then career positions are filled from the non-career work force later on.

Chairman CUMMINGS. Do benefits come with that?

Mr. ROLANDO. The non-career position?

Chairman CUMMINGS. Non-career.

Mr. ROLANDO. No, sir.

Chairman CUMMINGS. All right. Thank you very much. Mr. Jordan?

Mr. JORDAN. I'm going to yield the gentleman from North Carolina.

Mr. MEADOWS. I thank the gentleman. So, let me followup on a few real quick things that I think are critical.

Ms. Brennan, did you say we're going to look at five-day service? Because that is very concerning. That is exactly the opposite way that we went the last time. Mr. Hice tried that. And all due respect to Mr. Hice, it didn't work then. I don't know that it's going to work now. So, why are we considering that?

Ms. BRENNAN. Congressman Meadows, I would say, as you know, in the last Congress, and for actually the last five years, we've been working to build consensus around a bill. And it's why we did not address delivery frequency in the past.

The board is looking at a range of potential options, recognizing that many of them will require legislative reform.

Mr. MEADOWS. But Ms. Brennan, as you know, did you tell the board that dog won't hunt?

Ms. BRENNAN. Well, not—

Mr. MEADOWS. It just won't. And I guess how are you going to deliver, have Sunday delivery for Amazon, if you're going to five days?

Ms. BRENNAN. Again, I would say, Congressman Meadows, there are a number of potential revenue-generating and cost-reduction initiatives in this plan. I don't anticipate—

Mr. MEADOWS. You mean the plan we're going to get.

Ms. BRENNAN. That's correct, sir.

Mr. MEADOWS. Now did I hear you correctly earlier that you are just in the final verification of that plan?

Ms. BRENNAN. No. My comment was the validation, the rigor around the range of magnitude of savings over a 10-year period, given it's a 10-year plan. I recognize—

Mr. MEADOWS. So, you are validating your assumptions. Is that what you're saying?

Ms. BRENNAN. Yes. Correct. The financial validation, and frankly, and—

Mr. MEADOWS. But if you've got those, why are you not sharing that with Chairman Cummings at this point?

Ms. BRENNAN. I had a conversation with the chairman and the ranking member at a high level where we are with the plan, and in broad categories, what the plan will address. And as I noted—

Mr. MEADOWS. So, is it making the assumption that you have a five-day delivery?

Ms. BRENNAN. There is in there, delivery frequency.

Mr. MEADOWS. So, yes and no. Five-day delivery or not?

Ms. BRENNAN. Yes. And seven-day package delivery.

Mr. MEADOWS. Okay. So, quit wasting—

Ms. BRENNAN. We recognize the political implications.

Mr. MEADOWS [continuing]. our time, Ms. Brennan. We have very little time to get this done. And what you're doing is you are saying you are going to deliver packages seven days a week, and deliver mail five days a week. I do not understand that. I understand it from a financial standpoint, but I don't understand how you can say that your primary objective is to deliver mail, and that packages are a follow-on. And yet, you are going to put the priority on seven-day delivery for packages, and cut back mail to five days. Why would you do that?

Ms. BRENNAN. Congressman Meadows, it's one of a number of initiatives that we would put forward. The board has a fiduciary responsibility to outline a path forward. Now ultimately this Congress, this committee determines what the universal service obligation entails.

Mr. MEADOWS. So, did you tell the board of Governors that that idea has been rejected by Congress on both sides of the aisle previously?

Ms. BRENNAN. Yes. We had conversations about the political reality of that particular—

Mr. MEADOWS. And that it has been rejected? They know that it's been rejected previously.

Ms. BRENNAN. Yes.

Mr. MEADOWS. And they continue to go on down that——

Ms. BRENNAN. Again, we have a responsibility to put forward a plan, and as I indicated, there are a range of initiatives. The challenge for us, as noted, is we're adding a million new deliveries a year as mail continues to decline.

Mr. MEADOWS. So, it sounds like you're a package company and not a mail company.

Ms. BRENNAN. Ninety-six percent of our——

Mr. MEADOWS. If you're adding a million new parcels——

Ms. BRENNAN [continuing]. volume is mail, not packages. Ninety-six percent of our volume is mail, not packages.

Mr. MEADOWS. You keep coming back—listen, this is not my first rodeo. I understand how the numbers work. Is your mail volume declining in terms of overall?

Ms. BRENNAN. Yes.

Mr. MEADOWS. Is your package volume increasing overall?

Ms. BRENNAN. Yes.

Mr. MEADOWS. Okay. So, don't go with the other statistics that would try to blur the lines. The truth of the matter is you're moving more to packages. And if that's where we're going to be, let's be honest about it.

Ms. BRENNAN. I'm being very candid and direct here, Congressman. The reality is——

Mr. MEADOWS. With the fact that you're looking at five-day delivery.

Ms. BRENNAN. The reality is the board has the responsibility——

Mr. MEADOWS. The Chairman is not with you on five-day delivery, and neither am I, Ms. Brennan. You know that.

Ms. BRENNAN. Congressman Meadows, as I indicated, ultimately, Congress will determine what the USO entails. But we have a responsibility to put forward a plan that closes this gap. It would be irresponsible not to.

Mr. MEADOWS. I yield back.

Chairman CUMMINGS. Thank you very much. Ms. Lawrence?

Ms. LAWRENCE. Okay. I want to thank Mr. Cummings for this hearing. I also want to thank Postmaster General Brennan for everything that you do.

There's no other Member of Congress who has served in the Postal Service for 30 years and had a career. I was a letter carrier. I carried mail door to door. I worked midnight, sorted mail. I was a supervisor on the floor, supervising employees. I have been an EO investigator. I have been a manager. I've worked in the budget department and in the labor department.

So, I have seen the post office, Mr. Edwards, adjust to volume, adjust to work force, and privatizing it is not an option for me. However, the Postal Service must adjust to the times and must become a—not a profit-making—it concerns me when we say that we need to be competitive with private industry. That is just like saying I need to run a race with everyone else, but I am going to tie your legs together. Everyone else can run, but I am going to keep

the strings on you. So, a lot of the things that you are proposing, just, the math doesn't work.

With that being said, the Postal Service, under 39 USC Section 202, and I quote, "The exercise of the power of the Postal Service shall be directed by the board of Governors. By statute, the board of Governors is comprised of 11 members, including nine individuals appointed by the president, and with the advice and consent of the Senate. And the postmaster and the post deputy are both appointed by the board of Governors."

My question to you, Postmaster, how many members does the board have today?

Ms. BRENNAN. Currently, Congresswoman, there are two independent Governors, and the deputy and I. So, there are four of us that comprise the temporary emergency committee of the board.

Ms. LAWRENCE. That is not a quorum, correct?

Ms. BRENNAN. That's correct.

Ms. LAWRENCE. How long has the board lacked a quorum? A long time.

Ms. BRENNAN. It's been years. Yes.

Ms. LAWRENCE. It's been years.

Ms. BRENNAN. Since 2015, I believe, ma'am.

Ms. LAWRENCE. So, because of this non-functioning part of our responsibility as a government to provide you, under statute, a board of Governors to make a lot of these decisions that we are talking about, the board has created this so-called temporary emergency committee to ensure governance of this.

Can you explain what is the role of the temporary emergency committee, and what power do you have?

Ms. BRENNAN. Its fundamental responsibility is to ensure continuity of operations.

Ms. LAWRENCE. So, at one time there were only two people, correct?

Ms. BRENNAN. Correct.

Ms. LAWRENCE. You and the deputy.

Ms. BRENNAN. That's correct.

Ms. LAWRENCE. And so, now we just recently received four. We still don't have a quorum, but you're making decisions on operations that we're holding you accountable for, correct?

Ms. BRENNAN. That's correct.

Ms. LAWRENCE. What is the challenge of operating in this arena, with all the challenges and changes not having, by statute, the structure to be able to be responsive and to do your job?

Ms. BRENNAN. As we've said, for years, Congresswoman, that we're best served having a fully functioning board, whether it's nine independent Governors, or five. The issue becomes individuals that have the experience, the credentials, and that generally represent the public interest.

So, it's critically important that the Senate move to confirm the three Governors that are currently, or, excuse me, the three nominees that are in process.

Ms. LAWRENCE. Mm-hmm. So, I am going to close with I want a plan. I do want a 10-year plan. I will never support reducing delivery days. We know fundamentally that it's a lot of money to be

made in high-density populated areas. Rural America will suffer tremendously.

I represent a high-volume area. I'll get postal delivery and it will be competitive, and a lot of people want to pick it up. But it's very few companies, even today, FedEx, and all of the competitors that we talk about, use the Postal Service for first and last mile. We know that they do not make money, so they will drop it at a local post office, and pay the post office to make that mile road down the road to have one or two homes.

So, when we are looking at this plan, and we start talking about that, I expect a plan that not only just looks at numbers, but look at the overall commitment that the Postal Service was established to provide the service to our country.

The other thing I want to talk about is the work force. We have a work force in the Postal Service that has all the challenges, thank goodness, of being representative of the diversity of this country. We are one of the largest employers of veterans. We are one of the largest employers of handicapped employees.

So, while we talk about a lot of these things, a lot of our story hasn't been told. We have the second largest fleet in the United States of America next to the military. We need to be efficient. Look how long it has taken us to get through Congress to actually buy a fleet that is functional, and that can provide that service.

So, with that, I close. And we have a lot of work to do. I want us to get a board of Governors, so that we can actually hold you accountable.

Thank you.

Chairman CUMMINGS. Thank you very much. Mr. Gibbs?

Mr. GIBBS. Thank you, Chairman. To the Postmaster General, I'm a little confused. Back in I guess the last Congress, I was on this committee, but the bill, it didn't move. It said that retirees who were over the age of 65 would be required to enroll in Medicare, who weren't already enrolled.

My first question is, are the current retirees enrolled in Medicare?

Ms. BRENNAN. Yes. Actually, the majority, roughly 75 to 76 percent are integrated with Medicare.

Mr. GIBBS. That was my second question. Okay. When they were working, and current workers now, may we separate the two, did they pay into Medicare, and did the post office pay into Medicare?

Ms. BRENNAN. Yes, Congressman. Between the Postal Service and employees, we paid more than \$32 billion into the Medicare trust fund since 1983.

Mr. GIBBS. So, this pre-funding level, if most employees, retirees are in Medicare, and both the employer and employee paid into the system like in the private sector, so this pre-funding, that's actually for, like, the supplemental coverage of Medicare?

Ms. BRENNAN. That's—excuse me?

Mr. GIBBS. Is that for like providing supplemental Medicare coverage?

Ms. BRENNAN. It's pre-funding to cover the entire employee and retiree pool.

Mr. GIBBS. Yes. But they're already—

Ms. BRENNAN. It's current active and retired. Excuse me, Congressman.

Mr. GIBBS. Yes. Where I'm confused, if they're in the Medicare system, Okay, and they pay like everybody else, just like everybody else, and then you have to buy a supplemental policy for the 20 percent, is that what the pre-funding for? Or are you paying twice?

Ms. BRENNAN. No. The pre-funding is to ensure that our fund is 100 percent funded. Right now, it's roughly 42 percent funded. So, we have to make amortization payments each—

Mr. GIBBS. No. I've got that. Where I don't understand is if they're in the Medicare system why do you have this level of pre-funding if it is paying for 100 percent of the Medicare costs?

Ms. BRENNAN. Not all of those retirees are currently integrated with Medicare.

Mr. GIBBS. Well, 25 percent. So, that's 25 percent then.

Ms. BRENNAN. Correct. It's roughly like—

Mr. GIBBS. Okay.

Ms. BRENNAN [continuing]. 87,000 or 88,000 people.

Mr. GIBBS. Okay. Okay. Okay. That kind of answers that. Because I've been confused.

Now current workers, are they scheduled to go into that system, or Medicare 100 percent, like in the private sector?

Ms. BRENNAN. That's the discussion. We believe that this is a fundamental question of fairness, and that we should be treated like any self-funded entity that requires—that provide healthcare benefits typically require Medicare become the primary, and if you have a secondary, like FEHB.

Mr. GIBBS. Yes. That's where I was getting at, because I was getting confusion when I talk to different letter carriers and stuff.

Ms. BRENNAN. We'd be happy to come and brief you or your staff, Congressman.

Mr. GIBBS. Okay. In my area, in Ohio, and I assume around the country, you've closed a lot of processing centers. Like, I think in the northern Ohio you've probably closed—there's probably one left, and there's—at least three are closed. Have you reviewed how that has affected your cost savings, supposed cost savings versus service?

Ms. BRENNAN. Those consolidations certainly were as a result of a continuing decline in volume. So, we looked at the latent capacity in our network. We identified savings. And not in all cases did we achieve the savings during the targeted timeline, but that's an opportunity that continues.

And we'll have to continue to look at the infrastructure as the mail mix changes, and as the overall volume declines.

Mr. GIBBS. I just have a concern. I think we need six-day delivery. And then I've been concerned about some of the processing centers closing. It might have gone too far and affected service. Then it also affects your bottom line at the end, because people are dissatisfied that, especially large mailers, they might be going different options, but just a comment.

Mr. GIBBS. The Office of Special Council found that there were systematic Hatch Act violations by the Post Office, and specifically, the letter carriers left pay for the Hillary campaign. My question is the Office of Special Council required that the Postal Service

submit a corrective action plan by August 31st, 2017. Did the Postal Service submit that corrective action plan?

Ms. BRENNAN. We did, Congressman.

Mr. GIBBS. Okay. Thank you. I yield back.

Chairman CUMMINGS. Thank you. Ms. Plaskett?

Ms. PLASKETT. Thank you very much. And good afternoon to everyone.

Postmaster General Brennan, I am pleased that you're here before the Oversight and Reform Committee to discuss the current financial conditions of the Postal Service.

One of the themes that I've heard throughout this hearing that I want to reiterate is the need for communication. Over the past two years I've had several correspondences and was grateful for an in-person meeting with Deputy Postmaster Stroman. But there have been times when your leadership team and others have not been as responsive to my office and I assume other offices as well with regard to systemic issues within the Postal Service.

I'm grateful for the opportunity I have now to have this conversation with you in a public hearing, but I can understand that, and I'm concerned, because I have been sitting on Oversight since I came to Congress. And if it's difficult for me to be in touch with you, I can only imagine what my other colleagues, who do not have direct oversight over the Postal Service, the kind of communication that they have with your office.

So, as I hear other colleagues speaking, I think that's something that really needs to be addressed, this notion of being able to communicate, and getting information back and forth.

I wanted to talk with you about some issues that I have noted and want to get your opinion on. In the Virgin Islands, of course, after what we've gone through in 2017, with two hurricanes, one of the things I'm concerned with, with the growing number of natural disasters in this country, and the issues that we had with regard to getting mail, and communication directly to the islands, is that we are now just two weeks away from the 2019 hurricane season.

And over the past two years, and looking back on what has been done, and what worked, and what didn't work, can you tell me what steps the U.S. Postal Service has taken to improve its preparedness for natural disasters, especially hurricanes, tornadoes, and such throughout the country?

Ms. BRENNAN. Yes. If I may address your first comment, I am—

Ms. PLASKETT. Sure.

Ms. BRENNAN [continuing]. personally accessible. We have a government relations team that is accessible to all the members. I'd be happy, certainly, to followup, and apologize if there was any lack of communication or a gap in being responsive to you.

Ms. PLASKETT. Mm-hmm.

Ms. BRENNAN. In terms of preparation, as you would imagine, we have incidents that occur every day throughout this country. So, we have continuity of operation planning that we do, emphasis on protecting people, product, and property. And the same in the Virgin Islands. And I know the devastation that occurred, we responded by adjusting our transportation. We chartered planes to bring vol-



ume and product into the Virgin Islands, and bypass the gateway typically that we use in Puerto Rico.

Our new area vice president for the northeast area just recently visited the islands. So, we'd like to take the opportunity to introduce you to him as well, and ensure that we're well prepared—

Ms. PLASKETT. Sure

Ms. BRENNAN [continuing]. for this upcoming hurricane season.

Ms. PLASKETT. Sure. I mean what happens oftentimes is that our mail is going through Puerto Rico, and that becomes an issue of us fighting with our neighbor for accessibility. If I have problems in the Virgin Islands, and having to report to Puerto Rico about those problems, that becomes problematic, because they're going to cover for themselves in some way with regard to the issues that are being systemically filtered down to the people of the territory.

And so, those routes become very problematic to us, having mail go through Puerto Rico. Because they're fighting for as much mail as they can get to keep the FTEs and the people that are there. With regard to that, you know, we just recently had a review that was done, an excellent review that was done by your agency on manpower hours.

Ms. BRENNAN. Yes.

Ms. PLASKETT. And they said that 22 individuals needed to be hired. Well, in terms of communication, I didn't know when you were doing those hirings. And I understand that a lot of those were contractual hires that needed to be made. And my concern now is that we didn't open that pool up to the local people. And a lot of the individuals who were hired are actually from Puerto Rico, who are then going to be coming to the Islands. They'll stay there. They'll stay in the Virgin Islands for two years, and then they'll take that FTE back to Puerto Rico again. And we'll end up exactly where we were, with our letter carriers and others doing the bulk of the work, mail sorters, supervisors, the stress and strain of having less FTEs on the ground.

Mr. Rolando, would you say that that has happened in the past. Have you heard any of those complaints from individuals in the Virgin Islands?

Mr. ROLANDO. It's been a while since I've been down there. I went down there to check on the employees right after the hurricane. And there were some staffing issues at the time related—

Ms. PLASKETT. Mm-hmm.

Mr. ROLANDO [continuing]. to what you're talking about. I don't know if it's been corrected, or if it was directly related to the storms, but yes.

Ms. PLASKETT. But I would just say as I hear throughout all of this, is that we want to be a part of those plans. We want to be a part of those discussions. I know that you have bureaucracy, and you have regs that you're dealing with. But there are individuals that are sitting here on this committee who want to make this work, not just for our constituents, but for you as well. Because the people who work in the Post Office are people that we deal with every day, whether they're family members or individuals. So, if that communication can work a little better, that would be helpful.

Ms. BRENNAN. Absolutely commitment to that. And we recognize that the churn, if you don't have a labor pool that you identify from the Island, so point taken.

Ms. PLASKETT. Thank you. I yield back.

Ms. BRENNAN. Thank you.

Ms. PLASKETT. Thank you for your indulgence, Mr. Chairman.

Chairman CUMMINGS. Ms. Ocasio-Cortez?

Ms. OCASIO-CORTEZ. Thank you, Mr. Chair. Postmaster General Brennan, before 2006, to your knowledge, was the Postal Service fiscally sound? Would you say it was solvent?

Ms. BRENNAN. Yes. We were in a much better position than we were post-2006.

Ms. OCASIO-CORTEZ. And that's when you all maintained a pay-as-you-go system for retiree health benefits, is that correct?

Ms. BRENNAN. Prior. That's correct. Yes.

Ms. OCASIO-CORTEZ. Prior to 2006. Now I know that there's been a lot of conversation here about the retiree health benefits, and my colleague across the aisle urged us all, you know, and urged you, saying, "We need a plan. We need a plan." And I believe that we do need a plan, but we need a plan. Congress needs a plan. Because before 2006 things were fine on your end. And it was in 2006 where we passed legislation that—the Postal Accountability and Enhancement Act that required you to fully pre-fund the Postal Service's portion of the cost providing healthcare for future retirees, is that correct?

Ms. BRENNAN. That's correct.

Ms. OCASIO-CORTEZ. So, when you opened today you talked about how a lot of the failures in our system have to do with a failed business model. And that business model was changed in large part by us, is that correct?

Ms. BRENNAN. That's correct. It was imposed on the Postal Service by the Congress.

Ms. OCASIO-CORTEZ. So, this was an imposition on us. We created this problem. I would say that we created this problem. And I think that it's on us to fix it, at least in this specific respect, with retiree health benefits.

So, Postmaster General Brennan, how much money is currently saved in the retiree health benefits fund?

Ms. BRENNAN. In the current fund, the RHB fund, the assets are really \$48 billion.

Ms. OCASIO-CORTEZ. \$48 billion that's already currently saved. Is any other Federal agency required to pre-fund the cost of retiree healthcare coverage?

Ms. BRENNAN. The only other Federal agency is Department of Defense, through their TRICARE system. We are better funded than they are, and as you well know, they are appropriated, and they are required to integrate with Medicare.

Ms. OCASIO-CORTEZ. That's right. And I find that to be such an irony, because we don't even pre-fund our own retiree benefits here in Congress. And so, we're asking you to reach a higher standard that we even create for ourselves. I don't think it's surprising that we've tied your hands. We've made your job impossible, and then we're upset that we've given you an impossible standard that you haven't been able to meet.

Mr. Quadracci, are private sector firms like the ones that you work with required by law to pre-fund the cost of retiree healthcare coverage?

Mr. QUADRACCI. No, we'd be out of business.

Ms. OCASIO-CORTEZ. So, you'd be out of business. Congress doesn't even impose this on ourselves. Yet, this is a standard that we have imposed on you. And even when DOD has a similar requirement, we actually fund it. And they have that Medicare provision that you're asking for.

Mr. QUADRACCI. If I might, also, I think we're characterizing this as a bailout. It is not a bailout.

Ms. OCASIO-CORTEZ. Absolutely.

Mr. QUADRACCI. We just want to not have them do what no one else has to do.

Ms. OCASIO-CORTEZ. And I think you bring up an excellent point, Mr. Quadracci, because you're not asking for a dime. You're just asking us to end this unreasonable requirement, fiscal requirement—

Mr. QUADRACCI. Yes.

Ms. OCASIO-CORTEZ [continuing]. that no other business and virtually almost no other Federal agency has.

Postmaster General, how critical is eliminating the burden of pre-funding retiree health benefits to placing the Postal Service on sound financial footing?

Ms. BRENNAN. It will go a long way, Congresswoman. It will generate roughly \$3 billion in savings per annum, and over \$33 billion over a 10-year period.

Ms. OCASIO-CORTEZ. You know, I think it is so important that that gets across, because there is no way that we can develop a plan, there's no way that I think you can develop a plan that is realistic unless we lift this burdensome requirement on you.

Ms. BRENNAN. That's correct. Any reform bill must have a fix for this burden that would require Medicare integration for retirees.

Ms. OCASIO-CORTEZ. Mm-hmm. And I know my colleague from Massachusetts, he talked about his family wanted to be postal workers. And I know that that's certainly a reality for my family as well, because it is one of the—in our current economic climate, it's one of the few positions, at least in the career workers' position, that you can get access to dignified healthcare and strong benefits.

And we talk about privatizing. A lot of private delivery corporations do not cover healthcare for a lot of their employees. It's extremely stressful work conditions. And I think that when we—this is also a question of dignity of work. I want to commend you and your commitment for maintaining that dignity of work for our Postal Service workers, and ensuring that we find a business model that works in a way that does not compromise the right to healthcare.

So, that being said, I would like to make the recommendation that we eliminate this burden of the pre-funding retiree health costs, so that you can do your job.

Thank you very much.

Ms. BRENNAN. Thank you. And our employees take great pride in the mission. Thank you.

Chairman CUMMINGS. Thank you very much. Ms. Pressley?

Ms. PRESSLEY. Thank you, Chairman Cummings. The Postal Service is certainly a fundamental pillar of the interconnectivity of our global economy, a critical resource for communities across America. I'm glad we can discuss potential solutions to solve the financial challenges of what is such a critical American service.

My mother, may she rest in power, I recall her, and her generation, you know, there were three things the black folks wanted to do that were a pathway to upward mobility. You were either a teacher, you were a nurse, or you were a letter carrier. And there was great pride in that.

I want to talk for a moment about the Postal Services work force and the needs of working families. According to recent SCC filings, the Postal Service is "the second largest civilian employer in our Nation, with approximately 634,000 employees as of the end of 2018."

In fact, in the district I represent, the Massachusetts 7th, there are approximately 2,897 U.S. Postal Service workers. The highest concentration of workers across our state. The issue of pay and benefits is a top concern for many of these workers, particularly the vast number of non-career workers the USPS now employs.

Ms. Brennan, can you explain the differences in basic pay and benefits between career and non-career positions?

Ms. BRENNAN. Yes, Congresswoman. The non-career employee wage rate is roughly \$11 less than a career employee. That's an average wage rate that I'm citing. And they have limited benefits.

Now what I would say is the non-career, or the flexible work force, will become tomorrow's career employee. There is a path to a career position.

Ms. PRESSLEY. Okay. So, can you speak a little bit more about that? What is the Postal Service doing to retain and support both career and non-career employees so that they can gain that foothold into the middle class that I spoke about a moment ago?

Ms. BRENNAN. We have a very low turnover rate with the career employees, but with the non-career employees we do have a challenge in retention. One, it's setting clear expectations at the outset that it's a physically demanding job, and also, as you would likely appreciate, when we do exit interviews with employees, it's less about the pay and more about the treatment and their relationship with the supervisor. So, making inroads there to ensure we have better workplace environment for all employees.

Ms. PRESSLEY. So, in preparation for this hearing I was going over some data and it showed that nearly half of all USPS workers are women, is that correct?

Ms. BRENNAN. That's correct.

Ms. PRESSLEY. Okay. And the average salary for a career employee was less than \$57,000 in 2018. Does that sound about right?

Ms. BRENNAN. That sounds directionally close for wages. It does not include benefits. Yes.

Ms. PRESSLEY. Okay. Well, that was my next question, because although this is not an issue that should be genderized, we do know it is one that is disproportionately of unique import to women. Could you just talk about, particularly in single female-headed households, childcare, what you provide, if there is any-

thing flexible or onsite that you might provide. What types of benefits do you provide?

Ms. BRENNAN. In terms of benefits, none for childcare, per se, but we do, of course, follow the—I'm sorry. I'm drawing a blank. Dependent care. And we provide FMLA leave.

Ms. PRESSLEY. Okay. So, flexible—

Ms. BRENNAN. We do provide those provisions.

Ms. PRESSLEY [continuing]. time off.

Ms. BRENNAN. Yes. Where feasible, where operations dictate.

Ms. PRESSLEY. Okay. And no childcare onsite, or anything like that?

Ms. BRENNAN. No.

Ms. PRESSLEY. Okay. Well, as we consider proposals to reform the Postal Service, it is critical we remember the men and women who work for the Postal Service. They are providing a service that really is vital to our Nation, and so, I just wanted to take this opportunity to say thank you to all those hardworking folks out there. And we're doing everything we can to support you, and everything you do for our families, we want to make sure that you have that same stabilization and those opportunities.

So, thank you, and I yield back.

Chairman CUMMINGS. Thank you.

Ms. BRENNAN. Thank you.

Chairman CUMMINGS. Ms. Brennan, just one question. Veterans, how many veterans, what is the percentage of veterans that—

Ms. BRENNAN. We have over 100,000 veterans. Roughly 13 to 15 percent of the work force, Mr. Chairman.

Chairman CUMMINGS. Okay. Mr. Jordan?

Mr. JORDAN. Mr. Chairman, thank you again. I want to thank all our witnesses. If I could, just a couple quick questions.

Postmaster General Brennan, just back where some of the previous questions were. If you got rid of the pre-funding mandate, I think your answer to that was it will go a long way toward helping you become financially solvent. But it wouldn't get you there. Is that right?

Ms. BRENNAN. It would not close the full gap.

Mr. JORDAN. The pre-funding mandate was 2006, I believe.

Ms. BRENNAN. That's correct.

Mr. JORDAN. Okay. And since that time have you—separate and aside from that, have you run surpluses or deficits each of those respective fiscal years?

Ms. BRENNAN. Both. I'd lay out the timeline for you by year. But most recent, net income losses and controllable losses.

Mr. JORDAN. More often than not, though, you were losing money each of those years.

Ms. BRENNAN. That's correct. Yes. The last 12 years we have had net losses. And as indicated, the majority of those losses were tied to the pre-funding requirement.

Mr. JORDAN. Understand. But I think someone said earlier, I forget who, but even with that issue, and I'm not dismissing it's an issue—

Ms. BRENNAN. Mm-hmm.

Mr. JORDAN [continuing]. you're still not there.

Ms. BRENNAN. No. That's correct. We've got \$125 billion gap that we're facing over the next 10 years.

Mr. JORDAN. Okay. I know you had a long conversation with Mr. Meadows a couple different times on this plan. And I do appreciate the fact that you called the chairman and I a couple of weeks ago. We had a nice conversation. I distinctly remember in that conversation encouraging you to call Mr. Meadows. I take it you didn't.

Ms. BRENNAN. We, in fact, did.

Mr. JORDAN. Did you?

Ms. BRENNAN. Yes.

Mr. JORDAN. Okay. Good. Okay. Good. Well, I appreciate that, because I didn't know that you had. So, we do look forward to receiving that, and getting a chance to analyze it, and move forward from there.

With that, Mr. Chairman, again, thank you, and would yield back.

Chairman CUMMINGS. Thank you very much. And really to all of you, I want to thank you for being here today. This is so very, very important.

As I listened to all the comments, I just want us to be very careful. When we talk about things like privatization, Mr. Edwards, one of my concerns is that—I don't want us to be placed in the situation where people are paying \$1.50 for a stamp. I mean I love the postal system, and I buy my stamps. But that's kind of high.

I think it's important that we balance all of these things. And the thing that really, I guess, concerns me is we were so much there. We had a solution. And it was a solution that I felt pretty good about, and Mr. Meadows felt good about. And I'm hoping that—and I looked at the commission's reports, and all that kind of stuff. I still think it's the best solution.

How we'll be able to get back to that level of comfort, and, again, I'm not saying everybody is going to be comfortable, but the level of comfort we had with the bill that came out of this committee unanimously, I don't know how we're going to do that, but we're going to try to do that as best we can.

Again, Madam Postmaster General, please make sure that we get the report. I can tell you we will have a date for you today. I think it's going to be around July 7, somewhere around there. But you will know today.

Chairman CUMMINGS. And I am going to ask unanimous consent to enter into the record the following for this hearing: A statement from the National Active and Retired Federal Employees, written testimony from the American Catalog Mailers Association, a statement from the American Postal Workers Union, written testimony from the Package Coalition, and statement from the Public Citizen. Without objection, so ordered.

Chairman CUMMINGS. And I want to thank you, Mr. Jordan, for your cooperation in sitting down and trying to work this thing out.

The last thing I would say to all of our stakeholders, let's hold hands and get through this. I don't want you all to get splintered. Try to keep working together. Keep talking. Keep letting us know what you would like to see in a bill.

And I guarantee you, you're going to be conflicted with some other stakeholder. I just want you to know that before you even bring anything to us. But I think it's worth a try.

Mr. Gomez, you're coming right in under the bell.

[Laughter.]

Chairman CUMMINGS. Boy, you're close, man. I was just about on the one-inch line, about to go over the goal. And as you prepare yourself with your questions, I'm stalling for you.

[Laughter.]

Chairman CUMMINGS. But we are so glad to see you. Amen.

[Laughter.]

Chairman CUMMINGS. Ladies and gentleman, the distinguished gentleman, my friend, Mr. Gomez.

[Laughter.]

Mr. GOMEZ. Thank you all for waiting for me, and making sure I had that big introduction. Mr. Chairman, thank you so much. I really do appreciate it.

We all know that the Postal Service reaches every ZIP Code in this country. It provides more than 159 delivery points, reaching most of the most of the remote areas of the Nation. But as people become more reliant on e-mail, the post office has been struggling to keep up with the rising expenses.

Most pressing, the Postal Service has had a difficult time complying with the requirements put in place by Congress to pre-fund retiree health benefits. According to the GAO, the Postal Service owes their retirement benefit program more than 38 billion in payments.

Yes, we need to protect our national Postal Service, but we must also ensure that any reforms from Congress don't take benefits away from postal workers.

Postmaster General Brennan, taken all these factors into consideration, what is being done by the work force to adjust to the realities of the retiree health benefit mandate and declining revenues. I almost ran out of breath.

[Laughter.]

Mr. GOMEZ. Go ahead.

Ms. BRENNAN. Thank you.

The Postal Service has been clear that Medicare integration is vital, and it's essential to improving our financial situation. I think there is general consensus among a broad stakeholder group that that is an onerous burden unique to the Postal Service, and we need to move forward.

In terms of reacting to the change in the mail mix, and the overall decline in volume, like any business, we'll address where we have latent capacity in our network, and we'll consolidate operations where it makes sense to do so.

Mr. GOMEZ. Well, thank you, because that does turn to an issue in my district. My constituents have reached out to me regarding the closure of one of my neighborhood postal facility, the Little Tokyo facility, in my district, which is heavily used by seniors, was closed suddenly without proper notice. Now my constituents have been directed to use another facility a mile away that might not sound too far for some, but those with very limited mobility issues, it might as well be in another part of the city.

Postmaster, I'd like to discuss the process in which postal facilities are selected for closure. According to your written testimony the Postal Service consolidated 363 mail processing facilities between September 30th, 2006, and September 30th, 2018. Can you explain how processing facilities are chosen for closure and consolidation?

Ms. BRENNAN. Yes. If I may first answer your comment about the post office—I believe that was an emergency suspension, temporary closure. So, I'll followup on that, and we'll get back to you.

Mr. GOMEZ. Okay.

Ms. BRENNAN. In terms of when we look at opportunities to consolidate operations, we look at the overall volume, we look at the efficiency of the facility. We do an economic analysis to determine where there are opportunities. And clearly, the governance is service that we're able to maintain service levels.

Mr. GOMEZ. You said it was a—the one facility might have been an emergency. How is that determined?

Ms. BRENNAN. For instance, say the roof leaks, or if some natural disaster or incident occurs that impedes our ability to safely conduct business there. I don't know the specifics of that facility, but I'll find out for you.

Mr. GOMEZ. Okay. Thank you so much.

And did the closure, do you know if the closure or the consolidation of these facilities contribute to the slowed delivery of mail and the service declines that many communities are experiencing?

Ms. BRENNAN. We actually adjusted service standards, and what we called an operating window change. And the consolidations were part of that overall effort.

Mr. GOMEZ. Okay. You also wrote in your testimony, "Our actions have been necessary and we are prepared to do more, including making difficult operation decisions that may impact services, but we urgently need legislative regulatory reform."

What additional actions that may impact service is the Postal Service considering, and what savings would be expected from these actions?

Ms. BRENNAN. Congressman, as we talk through with the committee throughout this morning, our board takes their fiduciary responsibility seriously. We are looking at a 10-year business plan that includes both cost reductions as well as revenue-generating initiatives to close that gap. It's a deliverable I owe to the chair and members of the committee.

Mr. GOMEZ. Okay. Could additional processing facilities and other types of facilities, such as post offices, be closed? If so, what is the timeframe within which such closures may occur?

Ms. BRENNAN. Congressman, I don't want to preempt any plans. Certainly, we have a process, should we go forward with a consolidation of a facility that includes a public meeting.

Mr. GOMEZ. No. I appreciate that. And I'm not going to push. It's just, you know, mail delivery is something that Americans have been able to count on for decades and generations, right? And it is the one thing that I think in government we should hold almost sacred. And I want to make sure that we keep pushing to make sure that every community has access to the Postal Service, and the workers are treated fairly.



So, with that, I appreciate your staying around, making sure I had a time to ask some questions, but I really do appreciate your response. And Postmaster General, your office was able to help with some issues that I had in my district as well. So, thank you so much.

Ms. BRENNAN. Thank you. And be assured, we believe there's a path forward with congressional assistance and regulatory reform.

Mr. GOMEZ. Mr. Chairman, I yield back.

Chairman CUMMINGS. Thank you very much. I want to thank all of you again for just a very informative hearing. And so, without objection, all members will have five legislative days within which to submit additional written questions for the witnesses to the chair, which will be forwarded to the witnesses for their response. I ask our witnesses to please respond as promptly as you are able to.

With that, this meeting is adjourned.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

